

Speeches and Writings of  
GOPAL KRISHNA GOKHALE

VOL. I : ECONOMIC



Gopal Krishna Gokhale

Born : May 9, 1866 ]

[ Died : February 19, 1915

# Speeches and Writings of GOPAL KRISHNA GOKHALE

*Editors :*

R. P. Patwardhan, I. E. S. (RETIRED)  
Some time Professor of History & Political Economy,  
Elphinstone College, Bombay

D. V. Ambekar  
Member, Servants of India Society, Poona

**Vol. I: Economic**

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THE DECCAN SABHA, POONA 2

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## P R É F A C E

Gopal Krishna Gokhale's speeches and writings were published for the first time in 1908 by Mr. G. A. Natesan of Madras. The volume contained Gokhale's speeches in the Imperial and Bombay Legislative Councils, some speeches made in England, speeches made by him from the Congress platform (including his Presidential speech of 1905), some public speeches, the evidence, both written and oral, before the Welby Commission and his note for the Decentralisation Commission. A second edition was published in February 1916, too late to be seen by Gokhale, but the editor says that the idea of publishing a second edition had matured a few months before his death. This edition contained a good deal of additional matter, as it added the speeches made by Gokhale after 1908, and his paper on "East and West in India" read at the Universal Races Congress in 1911. A third and last edition was published in 1920. It made some further additions, including what the Publishers called Gokhale's "Last political testament on Post-War reforms for India."

There has been no further edition of Gokhale's speeches since 1920, and Natesan and Co.'s edition is now out of print. The Deccan Sabha of Poona, of which Gokhale was the first secretary, considered that it would be doing a service to the public if it brought out a new edition of Gokhale's speeches and writings, as it understood on enquiry, that Natesan and Co. themselves had no intention of doing so. Indeed, Natesan & Co. gave full permission to the Sabha to print the material in their volume, for which the thanks of the Sabha are due to them. The Council of the Sabha accordingly appointed a Committee consisting of Prof. R. P. Patwardhan (Chairman), Principal V. K. Joag, Prof. D. G. Karve, Prof. P. M. Limaye, Shri S. G. Vaze, Shri S. G. Gokhale and Shri D. V. Ambekar (Convenor), to formulate a scheme for bringing out a new edition of Gokhale's speeches and writings. The Committee, after careful consideration, decided that it would be desirable that the new publication should be exhaustive, and include, as far as possible, all the speeches and writings of Gokhale; and that as it was impossible to include all these in one volume — Natesan's volume itself (third edition) consists of 1255 crown 16 mo. pages (!) — the whole material should be distributed among three volumes, the first to contain the Budget Speeches and other speeches and writings on economic subjects, the second, those on political subjects, and the third, *Miscellaneous*.

These proposals were accepted by the Council of the Sabha, and the Council charged the Committee itself with the duty of arranging

for the publication. The Committee had, in the meanwhile, been deprived of the assistance of two of its members, because Prof. D. G. Karve, owing to his many important preoccupations, was unable to take part in the Committee's work except at the earliest stage, while Prof. Limaye's untimely death in January 1961 robbed the Committee of his services. So the Committee entrusted the editing work to Prof. R. P. Patwardhan and Shri D. V. Ambekar and decided that Vol. I, on Economic subjects, should be brought out in the first instance.

Shri Ambekar began by making a careful list of all Gokhale's speeches in the Legislatures and making copies of the text of the speeches from the original official Proceedings. The text printed in this volume may therefore be taken as a faithful copy of the original, except in those rare instances in which the original printed Proceedings themselves contained obvious errors. These, of course, have been corrected. The text of Gokhale's oral evidence before the Welby Commission, similarly, has been taken from the official Report of the Commission, while that of his written evidence has been taken from the copy printed by the Committee of the Indian National Congress in London, as it is not given in the Report of the Commission itself.

Brief introductory notes have been given at the beginning of the Speeches, so as to make the context clear. Footnotes have been given to explain allusions, etc. Headings have also been inserted at appropriate places in each speech, which, it is hoped, will help comprehension.

It is a pleasure to acknowledge the help we have received from the staff of the Servants of India Society's Library and especially the Librarian, Shri Sovani, by way of prompt supply of the necessary books. Special thanks are also due to one of the Library staff, Shri V. D. Divekar, who prepared the Index purely as a labour of love.

We are conscious of several deficiencies in the editing, due to the lack of proper planning from the start. Every effort will be made to eliminate these defects in the succeeding volumes. At the same time, any suggestions from readers to make the work more useful will be gratefully received.

Poona,  
July 11, 1962

R. P. PATWARDHAN  
D. V. AMBEKAR

# CONTENTS

Introduction	...	...	...	ix
Section I : Imperial Legislative Council				
1.	Budget Speech : 1902	...	...	1
2.	Budget Speech : 1903	...	...	28
3.	Budget Speech : 1904	...	...	51
4.	Budget Speech : 1905	...	...	66
5.	Budget Speech : 1906	...	...	90
6.	Budget Speech : 1907	...	...	108
7.	Budget Speech : 1908	...	...	124
8.	Budget Speech : 1909	...	...	139
9.	Note on Changed Procedure for Financial Discussions ( by the Editor )	...	...	155
10.	Indian Tariff ( Amendment ) Bill, 1910	...	...	157
11.	Budget, 1910-11—Surpluses and Sanitation	...	...	164
12.	" " Reduction or Avoidance of Debt	...	...	171
13.	" " Contract Agency for Irrigation	...	...	175
14.	" " Telegraphs Expenditure	...	...	177
15.	" " Stationery and Printing	...	...	178
16.	" " Railway Finance	...	...	179
17.	Budget Speech, 1910	...	...	185
18.	Indian Tariff ( Amendment ) Bill, 1911	...	...	192
19.	Budget, 1911-12—Interpretation of Rules	...	...	196
20.	" " —The Opium Fund	...	...	201
21.	" " Fees in Primary Schools	...	...	214
22.	" " Sanitation in Eastern Bengal and Assam	...	...	215
23.	" " Subsidy for Vernacular Papers	...	...	215
24.	" " Opium	...	...	219
25.	" " Mint	...	...	219
26.	" " Famine Grant	...	...	221
27.	" " Protective Irrigation	...	...	224
28.	" " Scientific Departments	...	...	225
29.	" " Salt	...	...	227
30.	" " Customs	...	...	228
31.	" " Post Office	...	...	229
32.	" " Telegraphs	...	...	230
33.	" " Railway Working Expenses	...	...	231
34.	Budget Speech : 1911	...	...	235
35.	Budget, 1912-13 —Cost of Building New Delhi	...	...	243
36.	" " Surpluses and Provincial Reserves	...	...	252

37.	Budget, 1912-1913—Mr. Dadabhoi's Changed Views ...	259
38.	"    "    Police ...	260
39.	Budget Speech : 1912 ...	263
40.	House Accommodation in Cantonments ( 1902 ) ...	268
41.	Co-operative Credit Societies ( 1904 ) ...	271
42.	Sindh Incumbered Estates ( 1906 ) ...	276
43.	Indentured Labour for Natal ( 1910 ) ...	284
44.	Stoppage of Indentured Emigration to Natal ( 1911 ) ...	293
45.	Increase in Public Expenditure ( 1911 ) ...	296
46.	Labour in Indian Factories ( 1911 ) ...	320
47.	Excise Cotton-Duties ( 1911 ) ...	328
48.	Import Duty on Sugar ( 1911 ) ...	334
49.	Taxable Minimum of Income ( 1912 ) ...	339
50.	Lord Inchcape's Inquiry ( 1912 ) ...	343
51.	Prohibition of Indentured Labour ( 1912 ) ...	349
52.	Resources of Local Bodies ( 1912 ) ...	369
53.	Gold Currency ( 1912 ) ...	385
54.	Gold Standard Reserve ( 1912 ) ...	387
Section II : Bombay Legislative Council		
55.	Financial Statement, 1900-1901 ...	388
56.	Bombay Abkari Act Amendment ( 1901 ) ...	403
57.	Bombay Land Revenue Bill ( 1901 ) ...	414
58.	Financial Statement, 1901-1902 ...	445
Section III : Welby Commission Evidence ( 1897 )		
59.	Written Evidence ...	456
60.	Oral Evidence ...	510
61.	Appendix I : Lord Cranbrook's Despatch ...	648
62.	Appendix II : Rejoinder to Mr. Jacob's Evidence ...	655
63.	Index ...	673

# ILLUSTRATIONS

1.	Gokhale ...	Frontispiece
2.	Facsimile of Gokhale's handwriting ...	Facing p. 445
3.	Group of Dadabhai, Gokhale & Wacha ...	Facing p. 456

## INTRODUCTION

Lokamanya Tilak, writing an obituary article on Gokhale in the *Kesari* of 23rd February 1915, gave as its heading a verse from the Mahabharata : मुहूर्तं ज्वालितं श्रेयो न तु धूमयितं विम् । which means, "Better burn out in a short-lived blaze than be smouldering for ever so long." The quotation was singularly appropriate to Gokhale's life and career. It was indeed a brilliant, but shortlived blaze. A graduate at eighteen, Professor at twenty, Secretary of the Provincial Conference at twenty-two, Editor of a serious and influential journal like the *Quarterly* of the Poona Sarvajanik Sabha at twenty-four, Secretary of the National Congress at twenty-nine, an important witness before a Royal Commission — (the Welby Commission) — at thirty, Provincial Legislator at thirty-four, Imperial Legislator at thirty-six, President of the National Congress and founder of an institution like the Servants of India Society at thirty-nine, member of a Royal Commission — (the Islington Public Services Commission) — at forty-six ; — what a brilliant career it was and how tragic that it should have been cut off at the early age of forty-eight ! For a parallel the mind turns to the great English financier-statesman who became Chancellor of the Exchequer and Prime Minister at the age of twenty-four, and continued to hold that office without interruption for twenty-two years, until his death at the age of forty-six. Pitt's famous speech of February 17, 1792 is justly admired for its firm grasp of the principles of national finance ; but Gokhale's evidence before the Welby Commission, given when he was 30, or his first speech in the Imperial Legislative Council, made five years later, is not less striking in this way than Pitt's speech at thirty-two. It was not given to Gokhale, as it was to Pitt, to serve his country in office, and to be a maker of Government policies. His career would assuredly have been more fruitful of results if his lot had been cast in happier times, and if he had enjoyed such opportunities ; but in one way it is even more remarkable than Pitt's, inasmuch as he, unlike Pitt, had none of the advantages of fortune or family influence.

At the early age of 20, Gokhale came into contact with that master mind of the late nineteenth century — Mahadeo Govind Ranade. For seven years, from 1886 to 1893, he was almost a daily visitor to Mr. Ranade. Gokhale's own native enthusiasm for public work was no doubt greatly stimulated and guided by this daily contact with Ranade. Ranade was at this time the guiding spirit of more than one public institution. He was one of the founders of the Indian National

Congress and attended its early sessions. He was the soul of the Poona Sarvajanik Sabha, and the originator of the Social and Industrial Conferences. Gokhale became Joint Secretary of the first Bombay Provincial Conference held at Poona in November 1888, and continued as the Secretary of the Provincial Conference for the next four years. He became Secretary of the Sarvajanik Sabha and editor of its Journal in 1890. In the previous year he had for the first time attended the annual session of the Indian National Congress, and he continued attending these sessions every year, and up to 1896, spoke on some resolution or other at each session. In 1896, when the Deccan Sabha was founded, he became its first Secretary. It was then almost as a matter of course that when a Royal Commission,—the famous Welby Commission—was appointed in 1895 to "inquire into the administration and management of the Military and Civil expenditure incurred under the authority of the Secretary of State for India in Council or of the Government of India, and the apportionment of charge between the Governments of the United Kingdom and of India for purposes in which both are interested"—and it was decided to invite a few Indian witnesses to give evidence before it, Gokhale should be among them. His evidence before the Commission, and his performance in the cross-examination, were a brilliant success. Gokhale, who was only 30 at this time, had here to confront and be cross-examined by men more than twice his age, who had spent long years in administration—men like Sir John Pelle, 63, who had been Director of Public Instruction, Bombay, member of the first Famine Commission, member of the Executive Councils of the Governor of Bombay and of the Viceroy, and was now member of the India Council; or Sir Donald Stewart, 72, who, having at the end of a long and distinguished military career held the office of Commander-in-Chief of India, was now also a member of the India Council. To stand a searching cross-examination at the hands of such men required nimbleness of wit, amplitude of knowledge, and firm grasp of the subject dealt with, and Gokhale exhibited these qualities to a remarkable degree. As an illustration we may cite the following passage (pp. 588-9), where Sir James Peile is trying to get Gokhale to concede that agriculturists in India were increasing in prosperity. After giving the figures for the importation of precious metals into India for 33 years, amounting to 356½ millions in the aggregate, or an annual average of 10½ millions, Sir James Peile asks—

Are not these facts I have mentioned signs of decreasing, rather than of increasing, poverty?

Gokhale—I do not think so.

Sir J. Peile—You do not; can you tell us why?

Gokhale—It all depends on what classes all these things go to. In addition to what you have mentioned you must also be able to show that these increased imports of precious metals found their way into the pockets of the agriculturists—into the pockets of these poorer people.

Chairman — May I ask a question on that? The fact of these large amounts pouring into India shows that India as a whole was not decreasing in wealth?

Gokhale — I do not think that they are very large sums after all, when you remember what a large country India is. Besides, I should like to know how much of that went to keep up the currency of the country; how much was absorbed by Native States, and how much remained in British India;

and so on, until at last Sir J. Peile had to give up the argument, and go on to another point.

We learn from a letter of Gokhale's to G. V. Joshi<sup>1</sup>, written three days after his evidence, that at the end of his evidence, he was complimented by Sir William Wedderburn, who said that his evidence was 'much the best on our side', and that Caine had written to him to say that he had 'never seen a cleverer or more masterly exposition of the views of an educated Indian reformer on all the subjects dealt with.' It was a tribute to young Gokhale that he was asked to make a first draft of the Minority Report which Wedderburn, Dadabhai Naoroji and W. S. Caine had decided to make as members of the Commission.

With such brilliant performance behind him, Gokhale might have been expected to have received a hero's welcome on his return home at the end of July. But Fate had willed otherwise, and the period immediately following his return was destined to be the time of his greatest humiliation in life. Plague had made its appearance in Poona even when Gokhale started for England in March 1897. Soon after his departure, stringent measures were taken by Government for stamping out the epidemic, involving removal of plague cases, actual or suspected, to hospitals, and of other inmates to segregation camps; washing and fumigating of infected premises and burning of the clothing, etc. European soldiers were employed on these duties, and as might be expected, they were none too soft in carrying them out. Loud complaints appeared in the Press about the behaviour of the soldiers. On May 10, a joint memorial by the Deccan Sabha and the Anjuman-i-Islam was addressed to the Government of Bombay, making allega-

1. see footnote 1 on p. 447.

tions against the conduct of the soldiers, that they did not always respect even the sanctity of domestic shrines or the modesty of lady inmates, and citing definite instances of such behaviour. No reply was sent to the Memorial, and when questions were asked in Parliament, Lord Sandhurst, the Governor, telegraphed to deny all the allegations. Meanwhile, on June 22nd, the popular discontent found vent in the assassination of Mr. Rand, the I.C.S. Plague Commissioner, and Lieut Ayerst, an officer of the Army. The news of the assassinations created a storm in England. The assassinations were believed to be the work of a deep-laid conspiracy, and people spoke as if they were a prelude to another 1857. Gokhale, who had all along been receiving reports of the Plague Committee's work in Poona, both from papers and from private correspondents, then gave an interview to a reporter of the *Manchester Guardian*, in which, among other things, he mentioned that he had received reports from correspondents whose veracity he could not doubt, that two ladies had been violated by British soldiers, and that one of them had afterwards committed suicide. Questions were asked in Parliament about these reports, and the Secretary of State replied that Lord Sandhurst had denied their truth and called them a 'malevolent invention'. Soon after this Gokhale returned home, and immediately on return found that his correspondents were unable to supply proof of the reports they had sent him. He then made a complete and unqualified apology to Government. This made him extremely unpopular with his countrymen. Gokhale bowed before the storm. He felt deep anguish at heart, but he had not sat at Ranade's feet for nothing. He went on doing his self-sacrificing work, as a plague volunteer and in famine relief, confident that the day would come "when it would be generally recognised by my countrymen that this most unfortunate incident deserves to be thought of, so far as I am concerned, in sorrow and not in anger, and that under most trying circumstances I had taken the only course which was consistent with duty and honour." He had not long to wait for the clouds to pass away, and at the end of a little more than two years, in December 1899, he was elected to a seat in the Bombay Legislative Council.

The "apology incident" described above has led to much misunderstanding. In reality it sets in relief, more than any other event in Gokhale's life, the sterling traits of his character — his fearlessness, readiness to obey the call of duty, regardless of consequences, and sense of fairness to opponents. "Unpleasant as the episode was" it has been well said, "it served to bring out the true gentleman in Mr. Gokhale, and showed that in his hands the honour of his political opponents was as safe as his own". It was these qualities, no doubt,



which, as if by instinct, drew Gandhiji to Gokhale at their very first meeting (in 1896),— Gandhiji himself calls it "a case of love at first sight"\*— and led him to honour Gokhale with the title of 'Mahatma'.

It was during the period of mental anguish and multiple anxieties, immediately after his return home, that Gokhale had to write his 'rejoinder to Mr. Jacob' (pp. 655-671). Mr. Stephen Jacob, who had been Comptroller and Auditor-General of India since 1890, had already been extensively examined by the Welby Commission, but after the Indian witnesses — D. E. Wacha, Gokhale, Surendranath Banerjee and G. Subrahmanya Aiyar — had been examined, he was recalled and examined once more, with particular reference to the points made by the Indian witnesses. Gokhale, like the other Indian witnesses, had to set himself to reply to Mr. Jacob's evidence. This 'rejoinder' naturally bears marks of the stress to which Gokhale was subjected at the time.

Gokhale's membership of the Bombay Legislative Council lasted for only two years — 1900 and 1901 — but it included an episode which occasioned extraordinary commotion at the time, and produced one of the finest speeches that Gokhale ever made. The episode referred to was the introduction, on 30th May 1901, of a bill to amend the Land Revenue Code of 1879, and its aftermath. Under the Land Revenue Code of 1879, all land held under the so-called 'Survey tenure' (i. e., land which had come under the Survey operations, and had generally been assessed thereafter) was held in perpetuity, subject of course to the payment of the land revenue (failure to pay this involving forfeiture of the land to Government.) The right of occupancy was also heritable and transferable. Now, the problem of rural indebtedness had for a long time past become a serious one in many parts of the country. In the official view, the growth of rural indebtedness was the result mainly of the *transferability* of the land under the Land Revenue Code. The peasant was thriftless; he spent lavishly on occasions like marriages and funerals; and when this involved him in pecuniary difficulties, went to the village money-lender, and mortgaged his land. Once in the hand of the money-lender, the peasant could never extricate himself; it came ultimately to the sale of the land to the sawkar, and the once free peasant ended by becoming a serf of the sawkar. What was necessary, therefore, was to put a restraint on the peasant's right of alienating his land. In the Punjab, owing to the exertions of a Civilian officer, Mr. S. S. Thorburn, an Act had been passed in 1900 — the Punjab Alienation of Land

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\* *Gokhale, My Political Guru*, p. 55. Gandhiji goes on: "He seemed to me all I wanted as a political worker — pure as crystal, gentle as a lamb, brave as a lion and chivalrous to a fault".

Act — to restrain the peasant's power of alienating his land to whomsoever he pleased. Next year, the Government of Bombay introduced a measure which went much further than the Punjab one. The time seemed particularly propitious, because famine conditions had prevailed in the Presidency almost continuously for the last three or four years, there had been large arrears of land revenue, and it seemed likely that as much as about 1/3rd of the whole cultivated area of the Presidency would be forfeited to Government. Government therefore tried to rush through the bill as quickly as possible. The bill was published on May 18, and a meeting of the Legislative Council was called for the first reading on May 30 at Mahabaleshwar — an unprecedented proceeding. The Statement of Objects and Reasons accompanying the bill stated that "doubts had been raised as to the power of the Collector under the existing Act to grant an occupancy for a limited period in land under the survey settlement, or to impose a condition that the land may not be alienated; that in many cases, e. g. in Sind where land was subject to sudden diluvion, or in other districts where the cultivation of land required heavy manuring or intervals of fallow, it would inflict hardship on cultivators to insist on the acceptance of occupancies in perpetuity; and that therefore the bill proposed to give power to the Collector to give land on short leases and on special terms, which may include a restriction of transferability." Thus stated, the measure looked innocent enough; but its far-reaching, and indeed, revolutionary character was soon perceived, and became clear as daylight when Mr. Monteath, in moving for the first reading, gave it as the reason for hastening this legislation that 'there is at present an opportunity of taking an important step towards the solution of that momentous problem of a remedy for agricultural indebtedness'. (Bombay Legislative Council Proceedings, 1901, p. 179) 'We propose' he said, 'giving the Collectors authority to forfeit any lands for which revenue is in arrears and to regrant such lands without encumbrance to cultivating occupants, subject to the condition that the right of occupancy will lapse if the lands are alienated without permission.' 'Unless arrears are paid off to a much larger extent than has been anticipated, there will be an opportunity of creating the special tenure in some districts on a very extensive scale... We hope that advantage will be taken to a large extent of the opportunity... There will (then) exist side by side occupants with full power of transfer and occupants without it, and it will be seen who are the more prosperous... There is another advantage of no small importance attached to the scheme. (As regards suspensions and remissions of revenue), the occupants who retain the right of transfer will ordinarily be men who are not

entitled to any concession; those who have not the power will ordinarily be actual cultivators ( who will be given the concession)". Only five non-official Indian members— Messrs. S. A. Chhatre, Gokuldas K. Parekh, Ibrahim Rahimtoola, Gokhale and the Chief of Ichalkaranji, — were present at the Mahableshwar meeting, and they all opposed the introduction of the bill, but the first reading was carried in spite of their opposition, and the bill was referred to a Select Committee, which included Chhatre and Gokhale. These latter submitted a minority report ( pp. 418-425 ). In the interval before the second reading, which was taken up on 24th August, many meetings were held, and petitions poured in — among them those from the Deccan Sabha and the Bombay Presidency Association— protesting against the bill. G. V. Joshi also wrote two articles in the *Times of India* criticising the bill. In the debate on the second reading, Pherozeshah Mehta proposed postponement of consideration of the bill for six months, with a view to eliciting public opinion. All reason for urgency had in fact disappeared, because a large part of the arrears of revenue had already been paid, and the remainder also, it seemed, would be paid soon. Government, however, stood on their prestige, and rejected Pherozeshah's proposal, and then Pherozeshah, Sir Bhalchandra Krishna Bhatawdekar, Gokuldas Parekh, Daji Abaji Khare, and Gokhale walked out of the Council Hall. That Government were actuated by nothing but their sense of prestige was shown in the course of the subsequent discussion when they rejected an amendment moved by the Chief of Ichalkaranji the effect of which would have been to restrict the new tenure to land of the type mentioned in the Statement of Objects and Reasons ( i. e. land liable to be affected by dilution, etc. ) and to maintain the heritable and perpetual character of the occupancy in all other cases.

*Gokhale's speech on the Land Revenue Code Amendment Bill* was his last in the Bombay Legislative Council. In December 1901 he took his seat in the Imperial Legislative Council, in the vacancy created by the resignation of Pherozeshah Mehta, and sat in it for the next 12 years - the most brilliant period of his all too short life.

## II

At the time when Gokhale entered the Supreme Legislative Council, and for several decades previously, the dominant economic problem, which engrossed the attention of statesmen and publicists, was and had been the problem of poverty of the masses. That India was, on the whole, a very poor country, that the mass of the people enjoyed only a scanty subsistence, and were, therefore, impatient of taxation, had been recognised by Anglo-Indian statesmen very soon after the

transfer of India from the Company to the Crown. Since the establishment of the East India Association in 1867, Dadabhai Naoroji had brought this question prominently before that body and before the public. The frequency of famines in the second half of the 19th century—(there was a famine in Orissa in 1866, one in 1873-74 in Bihar, in 1876-78 in Madras and Bombay, in 1896 over the whole of the country with the exception of Bengal, and the worst one in 200 years, affecting nearly half the country, in 1900)—and the loss of life occasioned by them—(the Orissa famine alone carried off a million and a half)—emphasised the seriousness of the problem. With the establishment of the National Congress in 1885, the subject of Indian poverty became a constant theme of speeches at the national gathering. The second Congress, that at Calcutta, held under the presidency of Dadabhai Naoroji, gave a prominent place to a resolution on poverty. It resolved that “this Congress regards with the deepest sympathy, and views with grave apprehension, the increasing poverty of vast numbers of the population of India, etc.”

Whether the poverty of India was in fact increasing or decreasing soon became a matter of controversy. The official view was that though the poverty was undoubted, it was gradually diminishing. The exponents of this view pointed to such things as the import of precious metals into the country, the increasing revenue under customs, and excise, and stamps, etc. in support of their view. In his Budget speech of 1901 Lord Curzon said that the national income of India, which had been calculated at Rs. 27 per head in 1882, had now risen to Rs. 30. This argument, however, ignored the fact that the level of prices in 1900 was at least 26% higher than in 1882\*. As pointed out above, Gokhale had been already cross-examined on the subject of the condition of the agricultural classes when he appeared before the Welby Commission in 1897. The question was, as he said, somewhat outside that Commission's terms of reference and therefore he had not gone into it in detail (p. 586), but in his Budget speech of 1902 he devoted considerable attention to the subject, and made out a convincing case in support of his view about ‘deep and deepening poverty’ (pp. 11-14). It is noteworthy that in his concluding remarks, Lord Curzon made no attempt to reply to Gokhale's argument, but contented himself with saying that he agreed with his Finance Member in regarding

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\* According to the ‘Index Numbers of Indian Prices 1861-1931’ (published by the Department of Commercial Intelligence and Statistics, Government of India), with the prices of 1873 as 100, the index number (unweighted, for 39 articles), for 1882 was 92, and for 1900, 116, showing an increase of 26%; while the weighted index number for 100 articles was for the two years 98 and 143 respectively showing an increase of 45%.

the increased receipts from customs, stamps, excise, Post office, etc. as evidence of increasing prosperity. The Finance Member had observed that it was wrong to suppose that the increase in the returns from Customs etc. indicated only "the prosperity of a small class, whilst the majority of the people are in distress. There might be grounds for such an idea, if we found our Customs returns increasing, only, or out of proportion, from importation of articles of luxury; if we found our railway receipts increasing, out of proportion, from first and second class traffic; if we found our Postal Savings Bank deposits increasing chiefly in the accounts of the large depositors; or, if we found our income-tax returns from the large incomes, rapidly augmenting; but it is the opposite of all this that is the case. As I have pointed out, it is from import duties on articles consumed by the agricultural and poorer classes, that we obtain rapidly increasing returns; it is from goods and third class passenger traffic that our railways have prospered; it is the small investors who multiply and increase their deposits in the Postal Savings Banks; and it is our income-tax returns from incomes above Rs. 2,000 per annum, which fail to meet our reasonable anticipations". Returning to the subject in his Budget speech of 1903, Gokhale said in reply that if the imports showed an increase in cotton goods used by the poorer classes, this was only evidence of the ruin of the indigenous cotton industry; that a few paltry increases in revenue under certain heads did not deserve to be taken seriously as conclusive evidence of growing prosperity; and that such incontrovertible facts as an increasing death-rate, independently of famine and plague, and increasing rural indebtedness, showed that the poverty of the country was not only deep, but *deepening* (pp. 38-9).

What were the causes of this 'deep and deepening' poverty of the country, and what were to be the remedies? Dadabhai Naoroji traced it to the annual drain of wealth from the country, caused by the use of foreign agency for the administration of the country. He accordingly laid very great stress on the substitution of native for foreign agency as far as possible, and, with a view to this, on Simultaneous Examinations for recruitment to the Imperial Services. In moving the resolution for Simultaneous Examinations at the first Congress, he used these words: "The resolution which I propose to you is of the utmost possible importance to India. It is the most important key to our material and moral advancement. All our other political reforms will benefit us but very little indeed if this reform of all reforms is not made. It is the question of life and death to India. It is the question of questions." D. E. Wacha moved the resolution on

Poverty in the second Congress, and he too said that 'one of the very first and most important remedies'—though, according to him, not the only one—was 'to minimise the foreign agency.' But as there was no prospect of any reform being carried out 'until we succeed in attaining a position whence our protests and appeals must be respectfully listened to,' the resolution went on to ask for the introduction of representative institutions as 'one of the most important practical steps towards the amelioration of the condition of the people'.

It is refreshing to find that the discussion on this resolution revealed a consciousness on the part of the delegates of the great complexity of the problem. Thus a member from Madras (Rao Bahadur A. Sabapathy Mudaliar) said that he was certainly in favour of the resolution, but 'even when we have that representative government, the people will have to realise that the chief causes which have brought about the great poverty of India are not all political.' Another, Pandit Jwalanth Sarma, from Calcutta, raised the question of population: "we should see whether it is any undue increase in the population which prevents their being supplied with food, or the scantiness of the production due to imperfect agriculture, or the neglect of industrial arts, that makes us poor. We must look into all causes; we must realise the fact not of a single cause but of a great many causes." Another member referred to the ruin of Indian industries: "One cause of this increasing poverty is the manner in which the production of most of the manufactured necessities of life, clothing, tools, implements, etc., has been diverted from the hands of our countrymen into those of foreign manufacturers. I do think that with a considerable body of our people in the several councils, means would be found to revive our ancient and establish new industries, so that as time went on all our requirements in this line should be supplied to us by our own artisans." And yet another said that if the indigenous industries were ruined, "this is not so much the fault of England as our own fault. We should try to compete with England by establishing such institutions as would support our own artisans, and by purchasing things from them." This last is an echo of the Swadeshi movement, which had been started in Poona by Mr. Ganesh Vasudeo Joshi, — better known as Sarvajani Kaka, — as early as 1869. The question of population too was broached as early as 1878 in an article in the second number of the Quarterly of the Poona Sarvajani Sabha, entitled 'Overpopulation and Marriage Customs.' The article is unsigned, but it is not unlikely that it was from the pen of M. G. Ranade. Ranade's concern with the problem of population is evidenced by his paper on Indian Emigra-

tion, written in 1893, in which he speaks of emigration as affording a solution, even if partial, to the economic problems of India. A favourite idea of Ranade's, and also of Rao Bahadur G. V. Joshi's, was that in the then existing conditions of India, when old Indian industries had been ruined by the competition of English machine-made goods, by the policy of Free Trade, and by the extension of Railways, it was the duty of the State to foster new industries — firstly by giving protection to infant industries, but if political considerations did not allow this, then by subsidizing and in other ways supporting new industries. "In truth, there is no difference of principle," wrote Ranade, "between lending such support and guidance, by the free use of its Credit and superior organisation, in pioneering Industrial undertakings, or subsidizing private co-operative effort, and its guaranteeing minimum interest to Railway Companies." State action in various forms — for Simultaneous Examinations; for promoting technical education; for reducing the burden of taxation, particularly by the introduction of a permanent settlement; and for economy in administration, and in particular reduction in military expenditure; — was also called for by the Indian National Congress, and year after year resolutions were passed in this sense at its sessions. Excessive military expenditure was criticised even by a non-official European member — Sir Griffith Evans — at the budget session of the Imperial Legislative Council in 1893. He also criticised the Home Charges, and "the tendency on the part of the various departments in England to shove everything they can on India; e. g. mission to Persia or China." "The India Office charges also appear to be on a lavish scale." Indeed, this particular abuse — charging India with expenses which did not legitimately belong to her — had been drawn attention to by Henry Fawcett in the House of Commons as early as 1870.

Most of these arguments and suggestions we find adopted and developed by Gokhale. He did not set particular store by emigration, as Ranade had done. Indeed, he made efforts in the contrary direction, — to stop Indian emigration. In 1910 he moved in the Imperial Legislative Council that the Government should be empowered to prohibit the recruitment of indentured labour for the colony of Natal (pp. 284-294), and when Government actually stopped such recruitment, congratulated Government on its action (p. 295). In 1912, again, he moved a resolution recommending the prohibition of recruitment of indentured labour altogether, and made one of his finest speeches — perhaps *the finest* speech — in moving it (pp. 349-368). As the resolution was opposed by Government, rejection was inevitable, but it is noteworthy that the *most* vote that Gokhale ever obtained on any of his resolutions, were opposed by Government.

was obtained on this. The reason why Gokhale opposed the system of indentured labour, and put such noble passion and eloquence into his speech against it, was that the system had led to great abuses, and he felt it an insult to India's national honour. Even Ranade had observed in his 1893 article: "Without a strict enforcement of the Protection Laws in their interest by the Government of India, the Coolie Emigrants would not be able to hold their own against the greed of their Employers, the Planters, who are not generally noted for their humanity. The Magistracy and the Government machinery in these Colonies, being entirely in the hands of the white population, are not very impartial in their treatment of the Indian settlers." "But notwithstanding these disadvantages," Ranade went on to say, "there can be no doubt that the system of Protected Emigration has, on the whole, been very beneficial." The condition envisaged by Ranade — strict enforcement of the Protection Laws — had, however, not been fulfilled, and the system had bred 'frightful immorality' and led to 'appalling human misery.' Gokhale's whole soul revolted against it. "There are disabilities enough in all conscience" he said in his 1912 speech, "attaching to our position in this country. . . . Why must this additional brand be put upon our brow before the rest of the civilised world?" (p. 357) "India is the only country which supplies indentured labour at the present moment. Why should India be marked out for this degradation?" It is perhaps the most powerful of Gokhale's speeches in this volume, and it is impossible to read it, even at this distant date, without being moved.<sup>1</sup>

Nor did Gokhale lay much stress on the drain of wealth from India to England, of which Dadabhai Naoroji made so much. It is true that in his evidence before the Welby Commission, he conceded to Dadabhai that Indians were not able themselves to develop new industries 'because our capital is carried away from the country' (p. 568); that 'if what the nation might have saved in normal circumstances had remained in the country, we might have been much better able to take advantage of those resources' (p. 569). In his 1907 speech on the Swadeshi Movement, too, Gokhale puts "the annual cost to India of England's political domination at 20 crores of rupees," and goes on, "If this continuous bleeding is to cease, it is incumbent that our men should be employed more and more in the service of the

1. In a document which has been called "the last political will and testament of Gokhale", which was drawn up by Gokhale only a few days before his death, there is a clause asking that at the end of the war — (the First World War) — German East Africa, if conquered from the Germans, should be reserved for Indian colonization. This clause was added by Gokhale, we are told, on the insistence of the Aga Khan (see Sri Laxmi Sastri, *Life and Times of Sir Pherozeshah Mehta*, pp. 162-163 and also Aga Khan — *India in Transition*, Ch. XIII "India's Claim to East Africa".)



State, so that pensions and furlough charges might be saved to the country". These are, however, about the only references in Gokhale's speeches to the subject of the drain, and on the whole he kept it out of sight. No doubt he felt, as did Ranade, that to hold "that as long as we have a heavy tribute to pay to England, ... we are doomed and can do nothing to help ourselves" was 'hardly a fair or manly position to take up.'

Gokhale felt the humiliation involved in alien rule, but he considered that in the peculiar circumstances of the country, progress was possible only through the continuance of British rule (pp. 122, 137). Instead of inveighing, therefore, against the drain of wealth from the country, he devoted himself to a study of the country's finances, (and with what thoroughness did he study them!) and showed to the officials, with convincing arguments, and facts and figures to support them, how they could be administered for the greater good of the people. For some years before 1902, when Gokhale made his *debut* in the Imperial Legislative Council, Indian finances had shown large surpluses. Indian Finance Ministers and Secretaries of State for India had looked upon these surpluses as irrefutable evidence of India's prosperity, and at the Budget Session of 1902 speaker after speaker had congratulated the Finance Member on the surplus shown by the revised estimates of 1901-2. The very first sentence of Gokhale's speech struck a note of dissent. 'Your Excellency, I fear I cannot conscientiously join in the congratulations which have been offered to the Hon'ble Finance Member on the huge surplus which the revised estimates show for last year.' He pointed out that the surpluses were merely currency surpluses, due to the artificial raising of the value of the rupee, and the result, therefore, of veiled additional taxation. (This had already been pointed out by Pherozeshah Mehta in his budget speeches of 1899 and 1900, and by J. A. Wadia in moving Resolution XVII at the Congress of 1901. Indeed, the point had been made even in some of the evidence tendered to the Currency Committee of 1892). Gokhale urged that a system under which surpluses accrued for years in succession was an unsound system, because a surplus meant "so much more money taken from the people, either through miscalculation or in other ways, than was needed for the requirements of Government" (p. 112). They were, moreover, dangerous, because they constituted 'a direct invitation to the Government to increase expenditure,' and 'a temptation to the authorities in England to ... shift a portion of their own burden to the shoulders of the Indian Government' (p. 53). Large surpluses were, therefore, a wrong in themselves, but if they did occur, they should be utilized either for the remission of taxation, e. g. for reducing the

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favourite idea that surpluses should be used for promoting the welfare of the people. Such were his resolutions on Surpluses and Sanitation in 1910 (pp. 164-170), on Surpluses and Provincial Reserves in 1912 (pp. 258-259) and on the Opium Fund in 1911 (pp. 201-313). (What Gokhale had in view with regard to this last was that as the revenue from Opium was destined to disappear in the course of 10 years from 1907 as a result of the 1906 agreement with the Government of China, progressively diminishing amounts only should be taken credit for on the revenue side of the budget in each successive year, and any surplus over this should be put into a reserve so as to avoid the necessity of fresh taxation, or, in the alternative, to be utilized for education, sanitation, etc.) He also moved resolutions for effecting reduction in the expenditure of various departments, e.g., Telegraphs, Stationery and Printing, Railways, Mint, Salt, Police, etc. (pp. 177-184, 219-234, 260-262), with the double object of effecting economies, and of drawing attention to the paucity of Indian personnel in the various departments. His anxiety to see that all available resources should be utilized for ameliorative measures, instead of for reduction of unproductive debt, led him also to propose in 1912 that the cost of building New Delhi should be met not from current revenue, but from loans (pp. 243-251), and that a Committee be appointed to inquire into the adequacy or otherwise of the resources of Local Bodies, which were the authorities directly concerned with people's education, sanitation, and medical relief (pp. 369-384). All these proposals were either withdrawn or rejected by large majorities. Sometimes, however, — though, it must be admitted, in very few cases — they served their purpose. Thus Gokhale's criticism of the working expenses of Railways in 1910 brought about some improvement next year (p. 234).

To his plea in his very first speech in the Imperial Legislative Council, that with large continuous surpluses for four years, it was wrong to maintain taxation at the existing level, the reply on the official side was, firstly, that they could not be absolutely sure about future surpluses, and secondly, that they could not reduce revenue at a time when they had increased expenditure in view — and that in directions which Gokhale would approve, such as education, police, public works, and sanitation. Yet next year Government did carry out two of Gokhale's suggestions, viz., reduction of the salt duty, and the raising of the taxable minimum for income-tax from Rs. 500 to Rs. 1,000. In 1904 Gokhale urged further reduction in the salt duty, and this too was conceded in 1905. Small grants were also made in the same year for education, for Police reform, and in aid of Local Boards. Gokhale's suggestions for relieving Local Boards from

duties on salt, raising the minimum limits for liability to income-tax, reducing the burden on the land in the temporarily-settled Provinces, taking off the excise duties on cotton, etc.; or for promoting nation-building activities such as education, sanitation and medical relief. Gokhale repeated these demands year after year in the Imperial Council.

In his 1906 speech, he gave his view of what a 'comprehensive scheme' for improving the condition of the masses might be. This would include 1) reduction in the State demand on land, 2) composition of rural debts, 3) cheap credit to the agriculturists in cases of genuine need, 4) Irrigation and Scientific Agriculture, 5) Industrial and Technical Education, 6) Free, and later, Compulsory Primary Education, and 7) Works of Sanitary Improvement. (pp. 102-106). Surpluses should be utilised for such objects as these, and not for reduction of the unproductive debt of the country, which was so small that its further reduction was not a matter of much importance (p. 112), nor for building of railways, which should be conducted out of borrowings, and not from surpluses, which, being 'so much more revenue taken from the people than was necessary for the requirements of Government,' should be spent on works needed urgently for their welfare (p. 134). Gokhale's contention in his Budget speeches that surpluses should not be utilized for the construction of Railways may at first sight seem to run directly counter to the view maintained by him before the Welby Commission, that railroads should be built out of surpluses, and not out of borrowed capital (p. 566). The apparent contradiction is, however, resolved when we note that both the surpluses and the railways were different in 1897 from what they became in 1902 and the following years. In 1897 the era of large surpluses had not yet begun; and the Railways were still a losing concern. 1898-99 began the era of large surpluses, and Railways also began to yield a surplus from the turn of the century.

Besides surpluses and their proper use, other points which Gokhale emphasized in his Budget Speeches were the need of reduction in the military budget and of Indianization of the Services. He had already emphasized these in his evidence before the Welby Commission.

Till 1909 the only opportunity which non-official members of the Legislative Council had of criticizing the administration and making suggestions was at the time of the annual budget, and even then it was not open to them to move resolutions and divide the Council on them. Under the Morley-Minto Reforms, they obtained this right, under certain conditions, and Gokhale used it to press his

favourite idea that surpluses should be used for promoting the welfare of the people. Such were his resolutions on Surpluses and Sanitation in 1910 (pp. 164-170), on Surpluses and Provincial Reserves in 1912 (pp. 258-259) and on the Opium Fund in 1911 (pp. 201-213). (What Gokhale had in view with regard to this last was that as the revenue from Opium was destined to disappear in the course of 10 years from 1907 as a result of the 1906 agreement with the Government of China, progressively diminishing amounts only should be taken credit for on the revenue side of the budget in each successive year, and any surplus over this should be put into a reserve so as to avoid the necessity of fresh taxation, or, in the alternative, to be utilized for education, sanitation, etc.) He also moved resolutions for effecting reduction in the expenditure of various departments, e.g., Telegraphs, Stationery and Printing, Railways, Mint, Salt, Police, etc. (pp. 177-184, 219-234, 260-262), with the double object of effecting economies, and of drawing attention to the paucity of Indian personnel in the various departments. His anxiety to see that all available resources should be utilized for ameliorative measures, instead of for reduction of unproductive debt, led him also to propose in 1912 that the cost of building New Delhi should be met not from current revenue, but from loans (pp. 243-251), and that a Committee be appointed to inquire into the adequacy or otherwise of the resources of Local Bodies, which were the authorities directly concerned with people's education, sanitation, and medical relief (pp. 369-384). All these proposals were either withdrawn or rejected by large majorities. Sometimes, however, — though, it must be admitted, in very few cases — they served their purpose. Thus Gokhale's criticism of the working expenses of Railways in 1910 brought about some improvement next year (p. 234).

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The case of the excise duties on cotton was as bad, or perhaps worse. When in 1894 financial exigencies led to the imposition of import duties after an interval of 12 years — (since 1882 Indian ports had been almost entirely free) — cotton manufactures were carefully *excluded from the schedule*. The omission was criticised not only by Indian members of the Council, like Gangadharrao Chitnavis, Fazulbhoy Vishram, Rash Behari Ghose and the Maharaja of Darbhanga, but also by representatives of the European trading community like Mr. Playfair and Sir Griffith Evans (both from Calcutta), and even a Bengal Civilian, Mr. Charles Stevens (later Sir Charles Stevens, and Lieutenant Governor of Bengal). A few days later, in the course of his speech on the Financial Statement for 1894-5, Sir Griffith Evans referred to the matter again, and spoke of the pressure brought by a Lancashire deputation on the Secretary of State, "After a few stock phrases about disinterested concern for the poor Indian, they showed their teeth, and gave him to understand very plainly that they would do their best to turn out any Ministry that opposed what they considered the interest of the trade, and pointed out that Lancashire was strong enough to win any fight she went into in earnest." Later in the year, cotton goods were included in the schedule, but a countervailing excise duty was imposed on Indian yarn which was supposed to enter into competition with Lancashire. Still later, in 1896, the import duty was lowered from 5% to 3½%, and the same amount of excise duty was imposed on all Indian cotton manufactures, coarse or fine, whether entering into competition with Lancashire or not. And there the duty remained till 1926, a constant reminder to India of the essential character of colonialism. "The excise duties have done" an English writer has said, "more than any other administrative act of the British in India in modern times, to impair the moral basis upon which the British control is supposed to rest."

Gokhale spoke of the cotton duties in 1903 (p. 7), 1903 (p. 31), and 1904 (p. 55); after 1904 he made no mention of the subject for several years more, — perhaps because after 1904 the worst days of the cotton mill industry seemed to be over, and soon 'a great wave of prosperity passed over the industry' (p. 329). When Gokhale returned to the subject in 1911, it was to support a resolution moved by the Hon'ble Mr. Dadabhai for abolition of the excise duties. But he made it clear that he supported the resolution, not in the interest of the manufacturers, but in that of the consumers, on whom the duty ultimately fell, and who were the poorest of the poor (p. 330). And he suggested that the duty might be abolished only in the case of counts below 30, and retained for those above. This was characteristic of Gokhale: he considered Indian economic problems from the stand-

responsibility for famine relief ( p. 91 ), for still further reduction of the salt duty ( p. 90 ), for grants to Local Boards for sanitation ( p. 106 ), were also acted upon in course of time. His plea that surpluses should not be used for reduction of debt, however, met with a different treatment at the hands of Government. "I am afraid" said Sir James Meston, the Finance Secretary, in 1911, "that in this respect, between the conservatism of the Finance Department and the radical optimism of the Hon'ble Member ( meaning Gokhale ), there is a great gulf fixed over which I cannot pretend to throw a bridge. Mr. Gokhale honestly believes that we make a fetish of this reduction of our unproductive debt.... We on our side believe equally honestly that the presence of our unproductive debt is an incubus and that its growth is a danger to be averted to the best of our ability. We believe that in steadily striving to reduce it we act in the country's best interest".

Nor did Gokhale's pleas for reduction in army expenditure, and in the demand from land, and for abolition of the excise on cotton, fare any better at the hands of Government. In vain did Gokhale urge again and again that the strength of the army ( 230,000 men ) was far in excess of what the 1879 Army Commission itself had considered to be sufficient for India's needs ( i. e. 130,000 men ) ( pp. 19,34 etc. ); that General Brackenbury, who was Military Member of the Imperial Council at one time, had himself admitted in his evidence before the Welby Commission that the Indian army was in excess of India's own requirements ( p. 37 ); that the defeat of Russia at the hands of Japan ( 1905 ) ( p. 94 ), and later the conclusion of the Anglo-Russian Convention ( 1907 ) ( p. 135 ), had removed the threat from Russia, rendering possible a reduction in the strength of the army; and that the fact that a considerable portion of the Indian Army could be spared for service in South Africa and China showed that its strength was in excess of Indian requirements ( p. 307 ). Alluding to this last argument, which had been made more than once from the platform of the Indian National Congress, Lord Curzon said in his Budget Speech of 1900: "Let not any one carry away the idea that because for a few months or even for a year, we have been able to spare 8,000 of our British troops for Africa, the British garrison in India can be permanently reduced by that amount. There can be no more complete or foolish illusion. Because a man lends for a night the watchdog that guards his home to a neighbour who is being attacked by robbers, does it therefore follow that his own house will be able to get on in future without protection?" The Imperious Proconsul was not very happy in his argument, because, as events turned out, the Indian troops remained in South Africa not ' for a few months or even for a year ', but for three years.

Committee, therefore, it was decided in 1893 to give up the silver standard in favour of a gold standard, and, as a first step, the mints were closed to the free coinage of silver, the object being to divorce the value of the rupee from that of silver bullion, and to raise, or rather to arrest the fall of, its value through limitation of the number of rupees in circulation. At the same time it was declared that gold coin and bullion would be received at the mints in exchange for rupees at the rate of 1s. 4d. to the rupee, and that sovereigns and half-sovereigns would be similarly received at Government treasuries in payment of sums due to Government. This policy was successful, and by 1899 the value of the rupee rose to 1s. 4d. The rupee thus became a token coin, with the artificial value of 16d., whereas its intrinsic value was only 10d. The problem was how to keep it steady at that rate. The readiness with which Government supplied rupees in exchange for gold or sovereigns, and the declaration, in 1899, of the sovereign as legal tender (as recommended by the Fowler Committee of 1898) prevented the value of the rupee from rising above 1s. 4d.; while Government's readiness — (not as unqualified as in the former case, and not legally binding) — to supply sovereigns at the rate of 1s. 4d. a rupee, and to sell sterling bills payable in London at about the same rate, prevented it from falling below 1s. 4d. Thus all difficulties which Government had experienced on account of the fall in exchange were set at rest. The exchange was kept steady, the budgets yielded large surpluses, and trade went on undisturbed. There was a crisis in 1907-8, when owing to a falling-off of Indian exports, the exchange became weak; but, by utilising all the gold in its reserves — the Paper Currency Reserve and the Gold Standard Reserve — (which had been created in 1900 from the profits of the rupee coinage, and kept in London, partly in the form of gold and partly in securities) — and by raising a loan in England, Government was able to overcome the crisis and to maintain the exchange value of the rupee.

The system outlined above, — which, being neither a purely silver standard nor a purely gold standard, came to be known as a *Gold Exchange Standard*, — worked satisfactorily till the first World War. Still, it gave rise to more than one question. In the first place, though it provided a solution of the exchange problem, and the allied problem of balancing the budget, it did so only by imposing additional taxation, (though in a valid manner), on the country. We have seen that Gokhale made this point more than once, and on that ground argued for remission of taxation, etc. Then again, the currency had now become an artificial one; it was no longer automatic, as it had been before 1893, when the mints were open; rupees could now be



point of the toiling millions, and not from that of the rich few; and this even though the Servants of India Society, which he had founded in 1905, found some of its chief supporters among the millionaire manufacturers. Thus, in 1911, when a bill to amend the law relating to Labour in Indian Factories came up for consideration, Gokhale moved an amendment imposing on the factory-owners the duty of giving free and compulsory education to children employed in the factories (pp. 320-323); when Pandit Madan Mohan Malaviya moved a Resolution proposing protection for the Indian sugar industry, Gokhale observed that the first question to be considered in connection with the resolution was how a measure of protection would affect the cultivator (p. 336); and in 1912 he would not even support Mr. Dadabhoi's proposal to raise the minimum limit for income-tax from Rs. 1,000 to Rs. 1,500, because such a measure would give relief to the middle class, whereas it was the poorer classes of the country who deserved relief earlier than the upper or the middle classes, since they bore a heavier burden, relatively to their resources, than the latter (pp. 341-342).

It was in keeping with Gokhale's concern for the welfare of the poor agriculturist that when in 1904 Government brought in a bill for the constitution and control of Co-operative Credit Societies, Gokhale welcomed it cordially, as a measure bearing promise of bringing some relief to the agriculturist and of evoking and strengthening in him "those qualities of prudence, thrift, self-reliance and resourcefulness, without which outside help can do him no great or permanent good" (p. 371). He suggested several improvements in the measure, such as modification of the principle of unlimited liability, filiation of the separate societies to a Central Bank, etc., which were carried out subsequently.

Prices had begun to rise in India from about 1905, and the matter had begun to cause anxiety by 1908. Gokhale referred to it in his Budget Speeches of 1908 (pp. 127-128) and 1909 (p. 143). He thought that the rise of prices had something to do with the heavy additions to the currency made by Government. The question of currency had assumed unusual importance at this time. The position, briefly, was this. Since 1835 there had been one standard rupee in British India, and the mints had been open to the coinage of silver on private account. The gold value of the rupee depended on the gold price of silver bullion, and it was round about 1/10th of the sovereign for about 40 years. From 1873 onwards however, silver, and therefore the rupee, began to decline rapidly in value in terms of gold. This caused great embarrassment to the Government of India in meeting its sterling obligations in England, and also upset the country's trade with gold-using countries. On the recommendation of the Herschell

opening the mints to the free coinage of gold. Coining of gold in India had been contemplated ever since the closing of the mints to silver in 1893, and the Fowler Committee had recommended it. The recommendation was accepted both by the Government of India and the Secretary of State, and in 1900 the Finance Member, Sir Clinton Dawkins, announced in the Imperial Council that steps were being taken to constitute a branch of the Mint at Bombay for the coinage of gold. But the Royal Mint raised a number of difficulties, and the British Treasury also opposed the idea, and the plan was indefinitely postponed. The opposition of the Treasury was based on the ground that "gold currency was not necessary for the maintenance of the gold standard, that even without a gold currency India was able to obtain whatever gold she required, and that a gold currency would be expensive." These arguments were plausible enough, but public sentiment in India was in favour of a gold currency, and Government had to take up the matter again when Sir V. Thackersey moved resolutions on it in 1911 and 1912. In 1912 Sir Guy Fleetwood Wilson gave a very sympathetic reply, and Sir Vithaldas withdrew his resolution. The matter was taken up by the Government of India with the Home authorities, but once more the British Treasury raised difficulties, and ultimately the question was referred, among others, to the Chamberlain Commission of 1913, which recommended that if Indian sentiment demanded a gold currency, and the Government of India were prepared to incur the expense, gold coins should be minted in India, but that it was not to India's advantage to use gold for internal circulation. The matter rested there, when the First World War broke out, creating new problems for Indian currency. As stated above, the arguments of the British Treasury and the Chamberlain Commission appeared plausible, but as remarked by Professor Cannan in his Foreword to Dr. Ambedkar's book on the "Problem of the Rupee", the expense involved in a gold currency would have been trifling, and as for India not needing a gold currency, "the position has been maintained not because Indians dislike gold, but because Europeans like it so well that they cannot bear to part with any of it."

In view of the position taken by Gokhale in 1912 it may seem strange that speaking in 1907 he had argued against the adoption of a gold currency (pp. 114-115). The question at that time, however, was about the purpose of, and the limits to be put on, the Gold Standard Reserve; Gokhale argued that it was not right to allow the Reserve to accumulate without limit, because it would never suffice to ensure the conversion of rupees into gold; and he hoped that if a limit were to be set to the Gold Standard Reserve, any further increase

coined only by the Government; and may not Government make additions to the currency at its own sweet will? Gokhale thought that this had happened, that the marked rise of prices from about 1905 onwards was due to "phenomenally heavy coinage" by Government (p. 127), and he asked for "a close and immediate investigation by a competent body of men" into the question (p. 143). In replying to Gokhale, the Finance Member, Sir E. Baker, pointed out that the figures of coinage given by Gokhale for 1905-7 were not those of *net* coinage; (Gokhale himself had said that he had not been able to get the figures of rupees *recoined* during that period); and that if the figures of net coinage were taken, the coinage during the 15 years since 1893 would be found to be about  $5\frac{1}{2}$  crores a year, whereas in the 15 years preceding the closing of the mints, it was about 7 crores a year. Further, that the rise of prices could not be due to redundancy of currency, because it began in 1905, before there was a possibility of such redundancy; that the prices of other staples had not risen, like those of food-grains; that the gold value of the rupee had not depressed in anything like the same proportion as the rise in the price of food-grains; that prices had risen in other countries also besides India - e. g. in England, Germany, Egypt, and Japan; and finally that the additions to coinage made by Government had been only to meet the demands of trade, and "as long as Government refrained from coining rupees except upon demand of trade, there could be no dilution of the currency." However, Government did appoint one of its officers, Mr. K. L. Datta, to make an inquiry into the high prices. Mr. Datta, who submitted his report in 1914, found that "there was no sign of a redundancy of rupees for any length of time."

Other questions connected with currency were those of the location of the Gold Standard Reserve, and of the introduction of a gold currency. The Gold Standard Reserve was held in London, partly in gold, and partly in securities. It thus acted, in effect, as a support to the London Money Market. Indian leaders demanded that the gold in this Reserve, which belonged to India, should be held in India, and should be used to support Indian trade during periods of monetary stringency. Sir Vithaldas Thackersey moved a resolution to this effect in the Imperial Legislative Council in 1912, and Gokhale supported it (p. 387). The official reply was that if the Reserve were to be held in India, and employed in the manner desired, it would not be available just when it was needed, to support weakening exchange. Although Sir Vithaldas's resolution was defeated, it is noteworthy that as many as 24 votes were cast for it, as against 33 in opposition.

Gokhale also supported another resolution of Sir Vithaldas's, moved on the same day, as that on the Gold Standard Reserve, for

regarded without disapprobation, Gokhale said that he had "always felt a sense of deep humiliation at the thought of this revenue, derived as it is practically from the degradation and moral ruin of the people of China" (p. 116), and when suggestions were made that the British Exchequer should make a grant to India to compensate her for the loss of the Opium revenue, Gokhale said that the proposal was an unfair one, and such as ought to be strongly deprecated (p. 117). "It is we who have financially benefited in the past by this Opium Revenue, and it is we who must be prepared to bear this loss when the Opium revenue is extinguished, seeing that the stain that will then be wiped away will be wiped away from us" (p. 190).

On Protection *vs.* Free Trade, again, Gokhale developed views of his own. In the evidence before the Welby Commission, he had declared himself categorically in favour of Protection (p. 568). But later, he distinguished between two kinds of Protection, the right kind and the wrong kind, and said that the right kind of Protection, if available, would do good to India, but as there was no likelihood of that kind of Protection in the existing circumstances, 'it is my deliberate conviction that, in our present circumstances, a policy of Free Trade, reasonably applied, is after all the *safest* policy for us' (p. 331). "Otherwise, influential interests, influential combinations, influential parties in England, who can have ready access to the Secretary of State... will not fail to take the fullest advantage of the situation" (p. 332).

Even with regard to those demands which were, so to say, *common property* — e. g. reduction of salt duty, permanent settlement of land revenue, reduction in military expenditure, Indianization of the Services, etc. — Gokhale had his own way of presenting them. He presented them with such cogent logic of carefully investigated facts as almost to compel agreement. In arguing for reduction in the salt-duty in 1902, for instance, he pointed out how various Government spokesmen had been, since 1888, committed to its reduction at the first possible opportunity (pp. 8-9), and next year he met the contention that the salt-duty did not, after all, affect the mass of the population very much, and that any reduction in it would not reach them, but would only benefit the middleman, by citing the figures of the consumption of salt during the last twenty years (pp. 29-30). Similarly, when arguing for reduction in the demand on land, he compared the burden on land in India with that in other countries (pp. 77-78). And so in all the other cases. There was never an argument by Gokhale without the relevant facts and figures.

But to be able to present his case in this way required close and careful study. No one ever questioned the accuracy of Gokhale's statements, or that of the elaborately prepared statistics (e. g. those in

in it could be diverted, directly or indirectly, to nation-building activities. Moreover, Sir Vithaldas's resolution, which Gokhale supported, did not propose to *substitute* gold currency for silver, but merely to *add* a branch at the Mint for free coinage of gold.

### III

On the whole, the concrete results achieved through Gokhale's suggestions and criticisms of Government policies do not seem to make up an impressive list, and Sir Guy Fleetwood Wilson's comparison of Gokhale to the Indian juggler who shows a mango tree with leaves and blossoms and even fruit where only a few moments before there was nothing but a bare pot (p. 384 note) seems a well-meant but empty compliment, devoid of all reality. This, indeed, could not be otherwise, when there was a standing Government majority in the Council. Yet Gokhale persisted with his self-appointed task. No doubt he had taken to heart the lesson taught by Ranade in 1891, when an elaborate memorial to Government, prepared by himself and Ranade, on famine conditions in the Sholapur and Bijapur districts, had brought from Government a reply of barely two lines, saying that they had noted the contents of the memorial. When Gokhale had expressed his disappointment at the reply, Ranade had said, "These memorials are nominally addressed to Government; in reality they are addressed to the people." Gokhale's speeches, similarly, though nominally addressed to the dozen or so<sup>1</sup> members who were present in the Council Hall, were really addressed to a much larger audience outside. Moreover, as he said in a speech at Allahabad in 1907, 'we are at a stage of the country's progress when our achievements are bound to be small, and our disappointments frequent and trying. That is the place which it has pleased Providence to assign to us in this struggle, and our responsibility is ended when we have done the work which belongs to that place. It will, no doubt, be given to our countrymen of future generations to serve India by their successes; we, of the present generation, must be content to serve her mainly by our failures.'

Many, perhaps most, of the views put forward by Gokhale in his speeches in the Legislative Councils and in his evidence before the Welby Commission, had been enunciated by others before him in the Press, as well as in the Legislative Councils and on the Congress platform, and notably by Dadabhai Naoroji, D. E. Wacha, Rao Bahadur Ranade, and Rao Bahadur Joshi. Early in his career, Gokhale learnt from these his elders, but he outgrew his pupilage in course of time, and not seldom put forward independent views of his own. Thus, as regards the Opium revenue, which even Ranade seems to have

1. 'Fifty or so' after 1909.

great, and no one expects radical or far-reaching changes all in a day." (p. 49). And he held that in the peculiar circumstances of India, inspite of the humiliations of the situation, no real progress for the country was possible without the continuance of British rule. It was the combination of these two characteristics, — firm grip of his subject, (being the fruit of careful study), and fairness and moderation, (the result of due appreciation of the opponent's point of view), — which gave its peculiar quality to Gokhale's speeches, secured for him easy prominence in the Legislature, and won the admiration even of his bureaucratic opponents. In 1903, Lord Curzon referred to his Budget speech as one 'characterized by the great ability which we have learnt to associate with his utterances.' Of his speech on 'Reduction or Avoidance of Debt' (pp. 171-175), Sir Guy Fleetwood Wilson, the Finance Member, said, "My Hon'ble friend has stated his case with his usual ability and fairness." Replying to his speech on Increase in Public Expenditure (25th January 1911), Sir James Meson began by congratulating him 'upon the lucidity and extreme fairness, with which he has placed this complicated case before the Council,' and went on to compare him with Gladstone, in his "rare and happy knack of making figures interesting" (p. 311, note). Sir G. F. Wilson said of the same speech: "It is an intellectual treat to hear Mr. Gokhale give an exposition of his views" (p. 317, note). Of his speech on the 'Cost of Building New Delhi' (pp. 243-251) the same member said: "Mr. Gokhale has supported his Resolution in that eloquent and scholarly manner which always makes it a treat to listen to him." Of his great speech on Indentured Labour (4th March 1912), Mr. Clark, the Commerce and Industries Member, said: "He has argued his case with a vigour and eloquence which we have learnt to expect from him in this Council." And there was the famous compliment paid by Sir G. F. Wilson in 1913, when Gokhale was unavoidably absent from the Budget debate, that to discuss the budget without Gokhale was like "the play of Hamlet without Hamlet."<sup>1</sup> Indeed, these compliments from the official side were so profuse that the pleasure one feels in reading them is not unmixed with a certain

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1. The whole paragraph is worth a quotation. The Finance Member began by saying: "I should like to preface my remarks by saying how deeply I regret the absence of one who has proved himself to be a true Servant of India, and that is Mr. Gokhale. I am sure that my regret will meet an echo in the heart of every man here, and I especially regret that he is absent owing to rather serious ill-health. It is difficult for those who served in previous Councils to express to those who are new to this Council what a great blank Mr. Gokhale's absence creates. It seems to be the play of Hamlet without Hamlet, and I think we all agree in wishing him a return to good health and a return to the Council next year." (Proceedings of the Imperial Legislative Council, Vol LI p. 633)

his speech on Increase in Public Expenditure, p. 297) on which he based his arguments. The best evidence of the study which Gokhale devoted to the preparation of his speeches is to be found in the replies which he gave at the close of debate on some of his resolutions. The debate on the resolution on Prohibition of Indentured Labour ( pp. 349-368 ) may be taken as an illustration. Gokhale based his case to a large extent on the report of the Sanderson Committee, and a point on which he laid considerable stress was that the recruits who were sent to the Colonies under indenture were not told of the penal provisions of the contract they were induced to enter into. Now Mr. Fremantle, an official member of the Council, who had himself been a member of the Sanderson Committee, said in reply to Gokhale that though the penal provisions were not stated in the agreement or explained beforehand, after all the coolies who went under the system understood what they were doing. Gokhale made a telling reply. "This," he said "coming from my Hon'ble friend, is surprising. Let me appeal in the matter from Mr. Fremantle, Official Member of this Council, speaking against my Resolution, to Mr. Fremantle, member of the Sanderson Committee." And he quoted from the report of the Committee, which had been signed by Mr. Fremantle, a passage which confirmed his contention that the emigrants did not realize the conditions of the new life before them when they entered into the agreement ( pp. 362-363 ).

The debate in the Bombay Legislative Council on the Land Revenue Code Amendment Bill affords another striking illustration of the firmness and accuracy with which Gokhale made his statements. Mr. Monteath, the Revenue Member, had taken exception to Gokhale's statement that under the existing law forfeited lands were sold to the highest bidder. He had said that whatever might be the practice, that was not the law on the subject. "Now, my Lord," replied Gokhale, "it is almost presumptuous on my part to pit myself in this matter against the honourable member, who is well known for his great abilities, who has been a Revenue Officer all his life, and who presides at present over the Revenue Department of the Presidency. Still, my authority for my statement is unimpeachable. Here I hold in my hand the Land Revenue Code of the Presidency, and I make bold to say that a reference to the provisions contained in it, on the subject of the disposal of forfeited lands and especially to Rule 60, will show that my view of the matter is absolutely correct". ( p. 440 ).

But it was not merely careful study that gave its characteristic quality to Gokhale's speeches; it was also the spirit of 'sweet reasonableness' in which he viewed all public questions. While criticizing the Government, he was not inattentive to its difficulties. "No one denies," he said, "that the difficulties of the position are

should have been spared a proposition so extreme as that which came from him." (p. 315). The same member had said that an independent audit, which Gokhale had urged, was unnecessary. "Well", said Gokhale, "in this he and I differ, which is a small matter. But he should realize that he also differs from some of the greatest statesmen of England, Germany, France, and Australia. If he likes that singular distinction, I have no quarrel with him." (p. 316). In the same year, 1911, before proceeding to the discussion of the Financial Statement, the President, Mr. J. L. Jenkins, made some remarks about the scope of the resolutions which he would hold admissible under the rules. Gokhale raised a discussion on the matter, and ultimately it ended in the President saying that he had 'sufficient confidence in the skill and experience of the Hon'ble Member (meaning Gokhale) as a debater to be sure that whatever interpretation is placed upon the rule, he will be able to say whatever he wishes to say' (pp. 196-200). Lord Curzon himself, speaking of Gokhale in the House of Lords, after the latter's death, said that "he had never met a man of any nationality more gifted with Parliamentary capacities. Mr. Gokhale would have obtained a position of distinction in any Parliament in the world, even in the British House of Commons."

Of Gokhale's style of speaking, Gandhiji has rightly said: "He is not an orator in the ordinary sense of the word. He does not seek to rouse the feelings of his audience. His only aim is to convince his hearers of what he has to say. His delivery is fast. His ammunition is his wealth of facts and figures; his arguments persuasive and full of enthusiasm, and his style simple but chaste and firm." So, too, S. K. Ratcliffe, sometime Editor of the *Statesman*: "Gokhale was not an orator, in the sense commonly intended when that much-abused word is commonly applied to the public speeches of the East. His gift of speech was perfect; his English was without flaw. He could on occasion make a thrilling assault upon the emotions of his audience, but, as a rule, he preferred to keep a tight hold upon himself. He spoke straight to the intelligence, and no man could surpass him in the presentation of a complicated subject. He was lucidity embodied."

For the serious student of India's post-1857 economic history the speeches and writings in this volume, — a model of clear thinking and lucid writing — are of inestimable value. And as for the publicist, it will be difficult to find another instance of equally sustained, thoughtful, and constructive criticism of a Government's policy by a non-official legislator. In India at least it has been, so far, the only one of its kind. Would that there were more such!

R. P. PATWARDHAN

Poona, 19th July 1962



amount of trepidation: "How will Gokhale," one feels, "take these compliments? Will they blunt the edge of his criticism of Government?" But one feels reassured when one reads, in Gokhale's reply, "When the Hon'ble Member (meaning Sir G. F. Wilson) adopts a specially friendly attitude or a specially conciliatory tone, I don't mind confessing that I grow somewhat suspicious" ! (pp. 317-318).

If such were the compliments paid to Gokhale by members of the Government whom he criticized, no wonder that encomiums should pour in on him from his own admiring countrymen, — some of them being by far his seniors in age, grown grey in the service of the public. Thus, D. E. Wacha, on reading his speech on the Financial Statement, 1900-1901, in the Bombay Legislative Council (pp. 388-402) wrote to him: "Need I congratulate you on your able speech at the Legislative Council? What a marvel of patient and scientific industry you are!" R. C. Dutt, on reading the minority report on the Bombay Land Revenue Code Amendment Bill, wrote to Gokhale from London to say that he had read it 'with delight and admiration'. On reading Gokhale's first Budget speech in the Imperial Legislative Council, he wrote: "I am not in the habit of saying more than I mean: — and I can honestly assure you that I consider your Budget speech to be *the ablest and best that has ever been made* from our point of view in the Viceroy's Council. . . . Your cogency of reasoning is admirable, and your conclusions come with irresistible force of a sledge-hammer and pounds (*sic*) the official sophistries into atoms. I have never read any speech made in the Viceroy's Council, nor heard any in the House of Commons on an Indian subject, which was so effective or forcible. . . . I dare to prophesy — knowing all the eminent public men in India, — that you will be the strongest, the foremost, and the most irresistible leader among them, because you are inspired by the truest and honestest zeal for our country". In August 1906, Dutt writes, "You had my unstinted sympathy and admiration the day I read your *historic* speech in the Viceroy's Council; and today I feel more than admiration for you — I venerate you with all my heart and all my soul."

Of Gokhale's skill as a debater, it may suffice to give one or two illustrations. In 1911, in the course of the debate on his resolution for an enquiry into the growth of public expenditure, (pp. 296 ff.), Mr. Madge, a European non-official member, had said that he welcomed an enquiry, because it would effectively show that there was no unnecessary expenditure, and in particular, that not a single European soldier in the army could be reduced. He added that laymen should not be dogmatic when speaking of military expenditure. Mr. Madge must have made rather a sorry figure in the Council when Gokhale replied: "If only the Hon'ble Member had remembered his own counsel, we

## Important Events in Gokhale's Life

- 1866, May 9 Birth at Kotluk ( Ratnagiri District ).
- 1876 Migration to Kolhapur for education.
- 1881 Passed matriculation examination.
- 1882 Studied in Rajaram College, Kolhapur.
- 1883 Studied in Deccan College, Poona.
- 1884 Graduated from Elphinstone College, Bombay; and joined the Law Class.
- 1885 Joined New English School, Poona, as a teacher.
- 1886 Became a Life-member of the Deccan Education Society, Poona; and began teaching in Fergusson College. Introduced to Ranade.
- 1888 Elected secretary, Bombay Provincial Conference.  
Edited English columns of *Sudharak*.
- 1889 First participation in the National Congress.
- 1890 Secretary of the Sarvajanik Sabha and Editor of its Quarterly.
- 1891 Appointed secretary of the Deccan Education Society.
- 1895 Worked as secretary to the Reception Committee of the National Congress which met at Poona.  
Elected Fellow, Bombay University.
- 1896 Resigned secretaryship of the Sarvajanik Sabha and helped in starting the Deccan Sabha, of which he became the first secretary.  
*First meeting with Gandhiji.*
- 1897 First visit to England for giving evidence before the Welby Commission.  
Apology incident.
- 1898 Organised plague relief measures at Poona.
- 1899 Elected member of the Bombay Legislative Council.
- 1901 Elected member of the Imperial Legislative Council.
- 1902 Retired from Fergusson College.  
Elected President, Poona Municipality.
- 1903 Elected additional Joint General Secretary to the National Congress.

# Gokhale's Speeches & Writings

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## Sec. I: Imperial Legislative Council

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[ *This is Gokhale's first Budget Speech at the Imperial Legislative Council, delivered on Wednesday, 26th March 1902. Lord Curzon, the Viceroy, was President of the Council, and Sir Edward Law was Finance Member.* ]

### Excessive Surpluses "A Double Wrong"

Your Excellency, I fear I cannot conscientiously join in the congratulations which have been offered to the Hon'ble Finance Member on the huge surplus which the revised estimates show for last year. A surplus of seven crores of rupees is perfectly unprecedented in the history of Indian finance, and coming as it does on the top of a series of similar surpluses realised when the country has been admittedly passing through very trying times, it illustrates to my mind, in a painfully clear manner, the utter absence of a due correspondence between the condition of the people and the condition of the finances of the country. Indeed, my Lord, the more I think about this matter the more I feel — and I trust your Lordship will pardon me for speaking somewhat bluntly — that the surpluses constitute a double wrong to the community. They are a wrong in the first instance in that they exist at all — that Government should take so much more from the people than is needed in times of serious depression and suffering; and they are also a wrong, because they lend themselves to easy misinterpretation and, among other things, render possible the phenomenal optimism of the Secretary of State for India, who seems to imagine that all is for the best in this best of lands. A slight examination of these surpluses suffices to show that they are mainly, almost entirely, currency surpluses, resulting from the fact that Government still maintain the same high level of taxation which they considered to be necessary to secure financial equilibrium when the rupee stood at its lowest. The year when the rupee touched this lowest

- 1904     Made C. I. E.
- 1905     Founded the Servants of India Society.  
           Second visit to England as a Congress delegate to  
           represent India's case in view of the impending British  
           General Election.  
           Presided over the National Congress at Banaras.
- 1906 }     Third and fourth visits to England to agitate for the  
 1908 }     prospective reforms.
- 1907     Lecturing tour in Northern India.
- 1908     Gave evidence before the Decentralisation Commission.
- 1910     Inauguration of the Ranade Industrial and Economic  
           Institute.
- 1912, 1913 and 1914     Fifth, sixth and seventh visits to England  
           in connection with the work of the Public Services  
           Commission.
- 1912     Visit to South Africa.  
           Appointed member of the Public Services Commission.
- 1913     Organised financial assistance for the Indian struggle  
           in South Africa.
- 1914     Declined offer of K.C.I.E.  
           Attempted a Congress compromise.
- 1915     February 19     Death at Poona.

If there had been no extra charges for war and famine, the national revenue on the basis of the new rupee would have been found to exceed the requirements of Government by about 6½ crores a year. Allowing for the savings effected in consequence of the absence of a portion of the troops in South Africa and China, as also for the generally reduced level of ordinary expenditure in famine times, and taking note of the fact that the opium revenue has recently turned out somewhat better than was expected and might reasonably be relied on, we still may put down the excess of our present revenue over our present expenditure at about five crores of rupees, which is also the figure of the amount saved by Government on their Home Charges as a consequence of the exchange value of the rupee having risen from 13*d.* to 16*d.* Now, my Lord, I submit with all respect that it is not a justifiable course to maintain taxation at the same high level when the rupee stands at 16*d.* that was thought to be necessary when it stood at 13*d.* During the last sixteen years, whenever deficits occurred, the Finance Member invariably attributed them to the falling rupee and resorted to the expedient of additional taxation, explaining that that was the only way to avoid national bankruptcy. During the first twelve years of this period, from 1885-86 — when Sir Auckland Colvin told the Council in his Financial Statement almost in prophetic terms that affairs were ‘passing into a new phase,’ necessitating a reconsideration and revision of the fiscal status established in 1882 — down to 1896-97, there was one continued and ceaseless struggle on the part of the Finance Department of the Government of India to maintain at all risks and hazards a ‘strong financial position’ in the face of a rapidly changing situation, and provide by anticipation against all possible dangers near and remote, fancied and real; and not a year passed — literally speaking — but heralded some change in the financial arrangements of the country. The famine grant was suspended for three successive years, 1886-87 to 1888-89, then reduced for two more, and permanently so in the last year of the period. Twice during these twelve years were the Provincial Contracts subjected to drastic revision (1887-88 and 1892-93), and the total gain secured to the Imperial Treasury on such revision and by a contraction of Provincial resources was full 1·10 crores (64 lakhs in 1887-88 and 46 lakhs in 1892-93). Furthermore, during the period, thrice (1886-87, 1890-91 and 1894-95) were the Provincial Administrations called upon to pay special contributions in aid of Imperial revenues. But the chief financial expedient employed to escape the supposed embarrassment of the time was continuous additions to the taxation of the country. Nine years out of these twelve witnessed the imposition of new taxes. First came the income-tax in 1886, and then followed in rapid succession the salt-duty enhancement of 1887-88 (June 1888),

exchange value was 1894-95, the average rate of exchange realised in that year being only 13 *l.* to the rupee. Government, however, had, in the face of the falling rupee, resolutely maintained an equilibrium between their revenue and expenditure by large and continuous additions to the taxation of the country, and thus even in the year 1894-95, when the rupee touched its lowest level, the national account-sheet showed a surplus of seventy lakhs of rupees. From this point onwards, the currency legislation, passed by Government in 1893, began to bear fruit and the exchange value of the rupee began to rise steadily. In 1895-96, the average rate of exchange realised was 13.64 *l.* and the surplus secured was 1½ crores. In 1896-97 and 1897-98, the average rate of exchange was 14.45 *l.* and 15.3 *l.* respectively, but the years turned out to be famine years and the second year also one of a costly frontier war necessitating extraordinary expenditure for direct famine relief and military operations of 2.1 crores in the first year and 9.2 crores in the second. The result was that 1896-97 closed with a deficit of 1.7 crores and 1897-98 with a deficit of 5.36 crores. It will, however, be seen that if these extraordinary charges had not come upon the State, both years would have been years of surpluses, and the surplus for 1897-98 would have been close upon four crores of rupees. In 1898-99, exchange established itself in the neighbourhood of 16 *l.* — the average rate realised during the year being 15.98 *l.* — and the year closed with a balance of 3.96 crores of rupees, after providing a crore for military operations on the frontier, thus inaugurating the era of substantial surpluses. Now we all know that a rise of 3 *l.* in the exchange value of the rupee — from 13 *l.* to 16 *l.* — means a saving of between four and five crores of rupees to the Government of India on their Home Charges alone, and I think this fact is sufficient by itself to explain the huge surpluses of the last four or five years. The following figures are instructive, as showing the true position of our revenue and expenditure, on the new basis of an artificially appreciated rupee :—

Year	Deficit or Surplus	Extraordinary charges for war and famine relief	Total surplus but for the extra charges	Remarks
(in crores of rupees)				
1897-98 ...	—5.36	9.21	3.85	A year of famine & war
1898-99 ...	+3.96	1.09	5.05	Frontier operations
1899-1900 ...	+4.16	3.5	7.66	A year of famine
1900-01 ...	+2.5	6.35	8.85	Do
1901-02 ...	+7	1	8	
Total for 5 yrs.	12.26	21.15	33.41	
			or	6.68 a year

meet out of current revenues all sorts of charges, ordinary and extraordinary, but to present at the close of the period abounding surpluses which the richest nation in Europe might well envy.

*A taxation so forced as not only to maintain a budgetary equilibrium but to yield as well 'large, continuous, progressive surpluses'—even in years of trial and suffering—is, I submit, against all accepted canons of finance. In European countries, extraordinary charges are usually met out of borrowings, the object being to avoid, even in times of pressure, impeding the even, normal development of trade and industry by any sudden or large additions to the weight of public burdens. In India, where the economic side of such questions finds such scant recognition, and the principle of meeting these charges of the year with the resources of the year is carried to a logical extreme, the anxiety of the Financial Administration is not only to make both ends meet in good and bad years alike, but to present large surpluses year after year. The Hon'ble Finance Member remarks in his Budget Statement under 'Army Services':*

*It must be remembered that India is defraying from revenues the cost of undertaking both re-armament and the reform of military re-organisation in important departments. I believe that this is an undertaking which has not been attempted by other countries without the assistance of loans in some form or other. Even in England, extraordinary military requirements for fortifications and barracks have been met by loans for short terms of years repayable by instalments out of revenues. If profiting by a period of political tranquillity we can accomplish this task without the raising of a loan and the imposition of a permanent burden on future generations, I think that we shall be able to congratulate ourselves on having done that which even the richest nations of Europe have not considered it advisable to attempt.*

Every word of this citation invites comment. How comes it about that India is doing in regard to these extraordinary charges that which even the richest nations of Europe have not considered it advisable to attempt? The obvious answer is that in those countries it is the popular assemblies that control taxation and expenditure: in India the tax-payer has no constitutional voice in the shaping of these things. If we had any votes to give, and the Government of the country had been carried on by an alternation of power between two parties, both alike anxious to conciliate us and bid for our support, the Hon'ble Member would assuredly have told a different tale. But I venture to submit, my Lord, that the consideration which the people of Western countries receive in consequence of their voting power should be available to us, in matters of finance at any rate, through an 'intelligent anticipation'—to use a phrase of your Lordship's—of our reasonable wishes on the part of Government.

the petroleum and patwari-taxes and extension of the income-tax to Burma in 1888-89, customs on imported liquors increased in 1889-90, the excise-duty on Indian beer in 1890-91, the import-duty on salt-fish in Burma in 1892-93, the re-imposition of the 5 per cent. *ad valorem* duties on imports, excluding cotton-goods, in 1893-94, and the extension of import-duties to cotton-goods in 1894-95. In 1896 there were changes in the tariff. The 5 per cent. import and excise duties on cotton-yarns were abolished and the import-duties on cotton-goods were reduced from 5 to  $3\frac{1}{2}$  per cent. — involving a sacrifice of 50 lakhs of rupees as a concession to the clamour of Manchester, but a countervailing excise of  $3\frac{1}{2}$  per cent. was imposed on cotton-goods of all counts manufactured in Indian mills. Lastly came the imposition of countervailing duties on imports of bounty-fed sugar in 1899.

The total additional revenue raised by these measures of taxation during the past sixteen years has been no less than 12·30 crores a year.

But this is not all. The land-tax, too, has come in its own automatic way for large augmentations during the period. Taking the ordinary revenue alone under the head, we find the increase has been Rs. 2·82 crores. One startling fact about these land-revenue collections is that during the six years from 1896-97 to 1901-02 (a period including the two greatest famines of the country) these collections actually averaged £17·43 millions a year as against £16·67 millions, the average for the six preceding years, i.e., from 1890-91 to 1895-96.

Putting these two heads together, the total augmentation of public burden during these years comes to over 15 crores.

Such continuous piling up of tax on tax, and such ceaseless adding to the burdens of a suffering people, is probably without precedent in the annals of finance. In India, it was only during the first few years following the troubles of the mutiny year that large additions were made to the taxation of the country; but the country was then on the flood-tide of a short-lived prosperity, and bore, though not without difficulty or complaint, the added burden. During the past sixteen years the country has passed through a more severe phase of agricultural and industrial depression and yet it has been called upon to accept these fresh burdens — year after year — increasing without interruption, and all this with a view to ensuring and maintaining a 'strong financial position,' proof against all assaults.

The broad result of this continued series of taxing measures has been to fix the taxation of the country at a level far above the actual needs of the situation. And it is the fiscal status so forced up and maintained, and not a normal expansion of revenue, that has enabled the financial administration during all these trying years not only to



cautious manner — a caution, I would venture to say, bordering on needless timidity — in which my Hon'ble friend has framed the Budget proposals for next year. Why should he, with four continuous years of fat surpluses to guide him, and no special cloud threatening his horizon, budget for a surplus of only  $1\frac{1}{4}$  crores, when three times the amount would have been nearer the mark and that, again, as calculated by a reasonably cautious standard? If he had only recognised the ordinary facts of our finance, as disclosed by the surpluses of the last four years, he would have, among other things, been able to take off the additional eight annas of salt duty, raise the taxable minimum of the income-tax to at least Rs. 1,000 a year, abolish the excise duty on cotton goods, and yet show a substantial surplus for the year. And, my Lord, the reduction of taxation in these three directions is the very least that Government could do for the people after the uncomplaining manner in which they have borne burden after burden during the last sixteen years. The desirability of raising the exemption limit of the income-tax has been frequently admitted on behalf of Government, and, amongst others, by yourself in your Lordship's first Budget Speech. The abolition of the excise on cotton goods is urgently needed not only in the interests of the cotton industry, which is at present in a state of dreadful depression, in large measure due to the currency legislation of Government, but also as an act of the barest justice to the struggling millions of our poor, on whom a portion of the burden eventually falls, who have been hit the hardest during recent years by famine and plague, by agricultural and industrial depression and the currency legislation of the State, and who are now literally gasping for relief. In this connection I would especially invite the attention of Government to a speech delivered at the annual meeting of the Bombay Chamber of Commerce by my friend the Hon'ble Mr. Moses — a by no means unfriendly critic of Government, and one who enjoys their confidence as also that of the public. Mr. Moses in that speech describes with much clearness and force the great injury which the currency legislation of Government has done to our rising cotton industry. That industry, he tells us, has now 'reached the brink of bankruptcy,' no less than fourteen mills being about to be liquidated, and some of them, brand new ones, being knocked down to the hammer for a third only of their original cost. Mr. Moses also speaks of the severely adverse manner in which the new currency has affected the economic position of the mass of our countrymen.

### Reduction of Salt Duty

As regards the reduction of salt duty, I do not think any words are needed from any one to establish the unquestioned hardship which

But even thus—after doing what the richest nations of Europe shrink from attempting—meeting all sorts of extraordinary charges, amounting to about 70 crores in sixteen years, out of current revenues—we have ‘large, continuous, progressive surpluses,’ and this only shows, as Colonel Chesney<sup>1</sup> points out in the March number of the *Nineteenth Century and After*, that more money is being taken from the people than is right, necessary or advisable, or, in other words, the weight of public taxation has been fixed and maintained at an *unjustifiably* high level. Taxation for financial equilibrium is what we all can understand, but taxation kept up in the face of the difficulties and misfortunes of a period of excessive depression and for ‘large, continuous and progressive surpluses’ is evidently a matter which requires justification. At all events, those who have followed the course of the financial history of the period will admit that the fact viewed *per se* that ‘such large, continuous and progressive surpluses,’ have occurred during the period—as being a result not of a normal expansion of fiscal resources but of a forced up and heavy taxation—does not connote, as Lord George Hamilton<sup>2</sup> contends, an advancing material prosperity of the country, or argue any marvellous recuperative power on the part of the masses, as the Hon’ble Sir Edward Law urged last year. : And to them, at any rate, the apparent paradox of a *suffering country* and an *overflowing treasury* stands easily explained and is a clear proof of the fact that the level of national taxation is kept unjustifiably high, even when Government are in a position to lower that level.

### Plea for Reduction in Taxation

This being my view of the whole question, it was to me, I need hardly say, a matter of the deepest regret that Government had not seen their way, in spite of four continuous years of huge surpluses, to take off a portion at any rate of the heavy burdens which had been imposed upon the country during the last sixteen years. Of course the whole country will feel grateful for the remission of close upon two crores of the arrears of land revenue. The measure is a bold, generous and welcome departure from the usual policy of clinging to the arrears of famine times, till a portion of them has to be abandoned owing to the sheer impossibility of realising them, after they have been allowed to hang over the unfortunate raiyat’s head, destroying his peace of mind and taking away from him heart and hope. The special grant of 40 lakhs of rupees to education will also be much appreciated throughout the country. But my quarrel is with the exceedingly

1. Military Member of the Executive Council of the Governor-General of India, 1896-97.  
2. Secretary of State for India, 1895-1903.

speaking in the Viceregal Council with special reference to a proposal for the abolition of the income-tax, observed :

I think it would be an injustice so gross as to amount to a scandal if the Government were to take off the income-tax while retaining the salt duty at its present figure.

In 1890 Sir John Gorst, in his speech on the Indian Budget in the House of Commons (August 14, 1890), remarked : ' *The tax (on salt) was no doubt a tax which ought to be removed and would be removed as soon as it should be financially possible to do so.*' Similarly, Lord George Hamilton himself, in a speech on the Indian Budget Statement in the House of Commons (September 4, 1895) emphasised the necessity for reducing the salt duty as early as possible, pointing out that no other tax pressed so heavily on the Indian people. In view of these repeated declarations it is a matter for great surprise, no less than for intense regret and disappointment, that Government have not taken the present opportunity to reduce a rate of duty, admittedly oppressive, on a prime necessary of life, which, as the late Professor Fawcett<sup>1</sup> justly urged, should be 'as free as the air we breathe and the water we drink.' It may be noted that the consumption of salt during the last fourteen years has been almost stationary, not even keeping pace with the normal growth of population — showing a rise of less than 6 per cent. in fourteen years against a rise of 18 per cent. in four years following the reduction of duty in 1882 — and that the average consumption of the article in India is admittedly less than is needed for purposes of healthful existence.

### Currency Legislation Necessitates Tax-Reduction

My Lord, the obligation to remit taxation in years of assured surpluses goes, I believe, with the right to demand additional revenues from the people in times of financial embarrassment. A succession of large surpluses is little conducive to economy and is apt to demoralise even the most conscientious Governments by the temptation it offers for indulging in extravagant expenditure. This is true of all countries, but it is specially true of countries like India where public revenues are administered under no sense of responsibility, such as exists in the West,

1. *Henry Fawcett* (1833-1884), Professor of Political Economy in the University of Cambridge and author of a "Manual of Political Economy". Writing about the salt duty in India in the sixth edition of the Manual published in 1883, he characterised it as "one of the heaviest imposts that is levied in any country on a first necessary of life." . . . "If the permanent settlement in Bengal had never been effected", he said, "the additional revenue which would now be obtained from the land would be sufficient to enable the Government to repeal so burdensome an impost as the duty on salt."

the present rate imposes upon the poorest of the poor of our community. Government themselves have repeatedly admitted the hardship; but in these days, when we are all apt to have short memories, I think it will be useful to recall some of the utterances of men responsible for the government of India in the matter. In 1888, when the duty was enhanced, Sir James Westland, the Finance Member, speaking on behalf of the Government of India, said: "It is with the greatest reluctance that Government finds itself obliged to have recourse to the salt duty." Sir John Gorst<sup>1</sup>, Under-Secretary of State for India, speaking a few days later in the House of Commons, referred to the matter in similar terms of regret. Lord Cross<sup>2</sup>, then Secretary of State for India, in his Despatch to the Government of India, dated 12th April, 1888, wrote as follows:

I do not . . . propose to comment at length on any of the measures adopted by your Government except the general increase in the duty on salt. While I do not dispute the conclusion of your Government that such an increase was, under existing circumstances, unavoidable, I am strongly of opinion *that it should be looked upon as temporary and that no effort should be spared to reduce the general duty as speedily as possible to the former rate.*

His Lordship further urged upon the attention of the Government of India the following weighty considerations on the point:

I will not dwell on the great regret with which I should at any time regard the imposition of additional burdens on the poorest classes of the population, through the taxation of a necessary of life; but, apart from all general considerations of what is in such respects right and equitable, there are, as your Excellency is well aware, in the case of the salt duty in India, weighty reasons for keeping it at as low a rate as possible. The policy enunciated by the Government in 1877 was to give to the people throughout India the means of obtaining an unlimited supply of salt at a very cheap rate, it being held that the interest of the people and of the public revenue were identical and that the proper system was to levy a low duty on an unrestricted consumption. The success of that policy hitherto has been remarkable; while the duty has been greatly reduced, the consumption through this and other causes has largely increased. . . . The revenue is larger now than it was before the reforms commenced in 1877, and I see no reason to doubt that the consumption will continue to increase, if it be not checked by enhancement of the tax.

Speaking again at a public meeting in England, Lord Cross took occasion to repeat his views that 'he was convinced that *the earliest occasion should be taken to abrogate the increase in the salt tax*' (February 28, 1889). In March of the same year, Sir David Barbour<sup>3</sup>,

1. Under-Secretary of State for India, 1886-92.

2. Secretary of State for India, 1886-92.

3. Finance Member, Government of India, 1888-93; member of the Royal Commission on Gold and Silver; Member of the Indian Currency Committee, 1898; author of a book "The Standard of Value" (1912).

bear in mind two root facts: (1) that it is the finance of a country, a considerable part of whose revenues is, by reason of its political and military necessities, spent outside its borders and *ipso facto* brings no commercial equivalent to the country; and (2) that it is the finance of a country which is not only 'poor, very poor,' as Lord George Hamilton admits, but the bulk of whose population is daily growing poorer under the play of the economic forces which have been brought into existence by British rule. It is true that the fact of this growing poverty of our people finds no official recognition, and we have even assurances from the highest quarters of their advancing prosperity. With all due deference, however, I venture to submit that we, who live in the midst of the hard actualities of a hard situation, feel that any such comforting views of the condition of the Indian people are without warrant in the facts of the case and we deem it our duty to urge, on behalf of the struggling masses no less than in the interests of good administration, that this fact of a deep and deepening poverty in the country should be frankly recognised, so that the energies of the Government might be directed towards undertaking remedial measures. The Hon'ble Finance Member sees in last year's Customs returns a sign of the advancing prosperity of the people. Now, apart from the fact that it is unsafe to draw conclusions from the returns for any single year, since the imports of particular years often only technically belong to that year, there is, I submit, nothing in the returns of last year to bear out my Hon'ble friend's contention. The bulk of our countrymen, whose economic condition is the point at issue, have nothing to do with the imports of sugar or cotton manufactures, which now are practically only the finer fabrics. The silver imported also could not have concerned them since last year was a famine year, and the poorer classes, instead of buying any silver, parted over large areas with the greater portion of what they possessed. The increase in the imports of petroleum only means the larger replacement of country-oil by petroleum—a thing due to the enterprise of certain English companies that sell petroleum in this country, and the opening up of new tracts by railways. Petroleum is also in some places now being used for cooking purposes in place of fuel. I do not think, therefore, that the Hon'ble Member is justified in drawing from last year's Customs returns the conclusion which he draws from them. The growth under Land-revenue, Excise and Stamps is sometimes mentioned as indicating increasing prosperity. But the growth of Land-revenue is a forced compulsory growth. It is a one-sided arrangement, and the people have either to pay the increased demand or give up their land and thereby part with the only resource they have. A growth of Excise-revenue, to the extent to which it is secured by increased consumption, only shows that the operations of the Abkari Department, with its tender solicitude for the interest of the legitimate

to the governed. A severe economy, a rigorous retrenchment of expenditure in all branches of the Administration, consistently, of course, with the maintenance of a proper standard of efficiency, ought always to be the most leading feature—the true governing principle—of Indian finance, the object being to keep the level of public taxation as low as possible, so as to leave the springs of national industry free play and room for unhampered movement. Such a course is also imperatively demanded by the currency policy which has been recently adopted by Government. That policy has, no doubt, given the country a stable exchange and brought relief to the Finance Member from his usual anxieties; but when the final adjustment of prices takes place, as is bound sooner or later to happen, it will be found that a crushing burden has been imposed upon the vast majority of tax-payers in the country. It is true that general prices have not been as quick to adjust themselves to the new artificially appreciated rupee, as the rupee itself has been to respond to the restrictions put upon its production. This was, however, to be expected, as the force of tradition in a backward country like India was bound to take time to be overcome. Famine conditions during the last few years also retarded adjustment, but there is no doubt that there would be a general fall of prices sooner or later corresponding to the artificial appreciation of the rupee. And when that happens, Government will be taking about 40 per cent. more in taxation from producers in this land and paying to its servants a similarly augmented remuneration. This will be a terrible burden for the masses of the country to bear. Already, during the last few years of famine, they have had to suffer most serious losses in converting their stock of silver into rupees when the rupee had grown dearer, but its purchasing power had not correspondingly increased. When the expected adjustment of general prices takes place, one curious result of it will be that the Government will have made a present to money-lenders of about 40 per cent. of the loans which these money-lenders have made to agriculturists—a result which surely Government could never have desired. In view of the great injury which the currency policy of Government has thus done, and will do as its results unfold themselves more and more, to the agriculturists and other producers of this country, I submit Government are bound to make to them such slight reparation as is possible by reducing the level of taxation as low as circumstances may permit.

### “Deep and Deepening Poverty”

My Lord, in considering the level of taxation in India and the administration of the revenues so raised, it is, I think, necessary to

publications, relating to (1) census returns, (2) vital statistics, (3) salt consumption, (4) the agricultural out-turn of the last sixteen years, (5) cropped area in British India, (6) area under certain superior crops, and (7) exports and imports of certain commodities, and they establish the following propositions :

(1) that the growth of the population in the last decade has been much less than what it should have been, and that in some Provinces there has been an actual decline in the population ;

(2) that the death-rate per *mille* has been steadily rising since 1884, which points to a steadily increasing number of the people being under-fed ;

(3) the consumption of salt, which already in this country is below the standard required for healthy existence, has not kept pace with even this meagre growth of population ;

(4) that the last decade has been a period of severe agricultural depression all over India ;

(5) that the net cropped area is diminishing in the older Provinces ;

(6) that the area under superior crops is showing a regrettable diminution ;

(7) the export and import figures tell the same tale, *viz.*, that the cultivation of superior crops is diminishing. Cattle are perishing in large numbers.

The losses of the agricultural community, owing to the destruction of crops and cattle and in other ways during the famines of the last five years, have been estimated at something like Rs. 300 crores. There is, again, indisputable evidence as to the fast-proceeding exhaustion of the soil through continuous cropping and for the most part unmanured tillage. Sir James Caird<sup>1</sup> wrote strongly on the point, remarking

*Crop follows crop without intermission, so that Indian agriculture is becoming simply a process of exhaustion*

Dr. Voelcker<sup>2</sup> expressed a similar view. The indebtedness of the agricultural classes is also alarmingly on the increase. Mr. Baines, writing about the North-Western Provinces and Oudh, says :—

Of the peasantry, it is estimated that nearly three-fourths have to go to the money-lender to enable them to tide over the interval between the spring and the autumn season.

1. A member of the Famine Commission (presided over by General R. Strachey) appointed by the Government of India (1878). His book, "India. The Land and the People" gives his impressions of what he saw in the course of the famine inquiry.

2. Consulting Chemist to the Royal Agricultural Society of England. Wrote (March 1873) an exhaustive report on the Improvement of Indian Agriculture.

consumer — a person not recognised by the State in India in pre-British times — are leading to increased drunkenness in the land. This, of course, means increased misery and is thus the very reverse of an indication of increasing prosperity. Liquor is not like ordinary articles of consumption, which a man buys more or less as his means are larger or smaller. When a man takes to drink, he will go without food, and will sacrifice wife and children, if necessary, but he will insist on satisfying his craving for the spirituous poison. Similarly, an increase of revenue under Stamps only means an increase in litigation, which undoubtedly shows that the people are quarrelling more, but which is no proof of their growing riches. No, my Lord, the only taxes whose proceeds supply any indication of the material condition of the people are the income-tax and the salt-tax — the former, roughly speaking, for the middle and upper classes and the latter for the masses. Now, the revenue under both these heads has been more or less stationary all these years, and the salt revenue has not even kept pace with the normal growth of the population. They, therefore, lend no support to the contention that the people are advancing in material prosperity.

My Lord, your Lordship was pleased to deal with this question at some length in the Budget discussion of last year, and, after analysing certain figures, your Lordship expressed the opinion that the 'movement is, for the present, distinctly in a forward and not in a retrograde direction.' The limitations of the method adopted in that investigation were, however, frankly recognised by your Lordship. I think, my Lord, the attempt to determine the average income per head for a given population is useful only for the purpose of obtaining a statistical view of the economic condition of that people. And from this point of view, our average income, whether it works out to Rs. 18 or Rs. 20 or Rs. 27 or Rs. 30 per head, is exceedingly small and shows that we are an exceedingly poor people. But when these calculations are used for taking a dynamical view of the economic situation, the method is open to serious objection, as the necessarily conjectural character of many of the data renders them of little value for such a purpose. But though the determination of the average income per head in a manner satisfactory to all is an impossible task, there is, I submit, ample evidence of another kind which can help us to a correct understanding of the problem. And this evidence, I venture to say, points unmistakably to the fact that the mass of our people are not only not progressing, but are actually receding in the matter of material prosperity. I have here certain tables\*, compiled from official

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\*  *Vide Appendix*



of 1898 by the Provincial Governments, the official memorandum referred to by your Lordship in the Budget discussion of last year, 'worked out from figures collected for the Famine Commission of 1898,' the Appendices to the Report of the Famine Commission of 1901, and the official Memorandum on agricultural indebtedness referred to by the present Lieutenant-Governor of the Punjab in his speech on the Punjab Land Alienation Bill — all of which documents have been kept confidential without any intelligible excuse. I think your Lordship will have done much to bring about a truer appreciation of the economic situation in the country, if you will see your way to publishing these valuable papers and documents, which there is really *no reason for withholding from the public.*

### Non-Indian Interests Given Precedence

My Lord, I have so far tried to show (1) that the huge surpluses of the last four years are in reality only currency surpluses; (2) that the taxation of the country is maintained at an unjustifiably high level and ought to be reduced; and (3) that India is not only a 'poor, very poor' country, but that its poverty is steadily growing, and in the administration of its finances, therefore, due regard must always be had to this central, all-important fact. Since the close of the beneficent Viceroyalty of Lord Ripon, *however, our finances have been so managed as to lend support to the view that other interests take precedence of Indian interests in the administration of Indian revenues.* Thus large sums have been spent out of our meagre revenues on conquest and territorial expansion, which have extended England's dominion but have brought *no benefit to the people of India.* The English mercantile classes have been conciliated by undertaking the construction of railways on an unprecedentedly large scale — programme following programme in breathless succession — sometimes in spite of the protests of the Finance Member — a policy which, whatever its advantages, has helped to destroy more and more the few struggling non-agricultural industries that the country possessed and throw a steadily increasing number on the single precarious resource of agriculture. And this railway expansion has gone on while irrigation, in which the country is deeply interested, has been more or less neglected. *The interests of the services were allowed to prevail, first, in the concession made to uncovenanted Civilians enabling them to draw their pensions at the high rate of 1s. 9d. a rupee, and then in the grant of exchange compensation allowance to all European officers, civil and military.* Military expenditure has grown by nearly 6.5 crores a year during the period, and will increase by 1½ crores more on account of the new increase in the European soldier's pay, and the burden of Home Charges has grown by over three million sterling. And all this

As regards Bombay, the MacDonnell<sup>1</sup> Commission write :—

At least one-fourth of the cultivators in the Bombay Presidency have lost possession of their lands, less than a fifteenth are free from debt and the remainder are indebted to a greater or less extent.

Similar evidence, I believe, is forthcoming about the Punjab and the Central Provinces.

These and similar facts, taken cumulatively, lead, and lead irresistibly, to the conclusion that the material condition of the mass of the people in India is steadily deteriorating, and I grieve to say that the phenomenon is the saddest in the whole range of the economic history of the world. Here is a peasantry which, taken all in all, is inferior to no other people in industry, frugality and patient suffering. It has enjoyed the blessing of uninterrupted peace for half a century, and at the end of the period the bulk of them are found to be in a worse plight than they have ever been in. I submit, my Lord, that a fact, so startling and so painful, demands the earnest and immediate attention of Government, and I venture to believe that Government cannot afford to put off facing the situation any longer. An enquiry into the condition of a few typical villages has been suggested, and, if undertaken, will certainly clear many of the prevailing misapprehensions on the subject. It is urged on behalf of Government that no such inquiry is needed, because similar inquiries have been already made in the past. There is no doubt that inquiries of some sort have been made, and Government have in their possession a large body of valuable information on the subject—information which unfortunately they insist on withholding from the public. Why this should be so is difficult to understand, as the field is exclusively economic and Government ought to welcome the co-operation of non-official students of the subject in understanding and interpreting the economic phenomena of the country. I venture to think that if the papers connected with the Cromer<sup>2</sup> inquiry of 1882, the Dufferin<sup>3</sup> inquiry of 1887–88 and the confidential inquiry undertaken in 1891–92 were published, much valuable assistance would be afforded to the public by Government. The same remark applies to the statistical memorandum and notes on the condition of lower classes in the rural parts furnished to the Famine Commission

1. *Antony Patrick MacDonnell* (afterwards Lord MacDonnell) (1844–1925): entered Indian Civil Service, 1864; acting Chief Commissioner of Burma, 1889; Chief Commissioner of C. P., 1890; member of Viceroy's Executive Council; Lt.-Governor of U. P. 1895–1901; Chairman, Indian Famine Commission, 1901; Member, Council of India, 1903.

2. *Major Evelyn Baring*. (later Lord Cromer) Finance Member, Government of India, 1890–93. Afterwards British Agent and Consul-General in Egypt.

3. *Marquis of Dufferin and Ava*, Governor-General of India, 1834–83.

all evidently receiving your Excellency's earnest attention. One feels that there is something in the air which indicates that, after sixteen years, questions of domestic reform will once more resume their proper place in the councils of the Government of India, and the heart owns to a strange flutter of hope, not unmingled with a fear of disappointment, because three years of your Lordship's term are gone and no one can say how much may be actually accomplished in the two that remain. My Lord, the country is confronted with an economic crisis of unparalleled severity and no mere half-measures will be found to be of much avail. Not 'efficiency' merely, but 'bold and generous statesmanship' must now be written on the slate of the Indian Viceroy. If Prussia could in the course of the last century raise its serf-population to the position of a strong and flourishing peasantry, I do not see why English statesmen should allow the free peasantry of India gradually to sink to the level of serfs. If the State demand were permanently fixed in the older Provinces, where the conditions laid down in Sir Stafford Northcote's<sup>1</sup> despatch of 1867 have been fulfilled, the measure, I am persuaded, would prove a great boon to the people. A correspondent of the *Times of India* — a journal which has rendered during these trying times signal services to the agriculturists of the Bombay Presidency — in a series of letters which have attracted general attention, has demonstrated in a forcible manner the mischievous effects of the present policy of periodical revisions — how improvements are taxed in spite of statutes and rules at every periodical revision, how lands which can leave no margin for the payment of assessment are assessed all the same, and how the condition of the agricultural community is steadily deteriorating. Permanent settlement in raiyatwari tracts cannot be open to the objection that it is asking the State to surrender a prospective revenue in favour of a 'few individuals'. I admit that such a measure by itself may not suffice to improve the condition of the agriculturists, and that it will be necessary in addition to provide for them cheap money and enable them to compound in some manner with their creditors. If all these measures are taken, they will give the peasantry of the country a real, fresh start, and then Government might even place some restrictions on the raiyat's power of free alienation. I am aware that the recent Resolution of the Government of India makes a definite pronouncement against permanent settlement, and that it speaks in terms of disapproval of the permanent settlement granted in Bengal by Lord Cornwallis. It

1. *Sir Stafford Henry Northcote*, (later Earl of Iddesleigh) (1818-87), Secretary of State for India, 1867-68, Chancellor of the Exchequer, 1874-80; Foreign Secretary, 1886.

while the expenditure on education from Provincial Revenues rose only by a paltry 20 lakhs or so, and domestic reforms in other directions have been neglected to a greater or less extent. There has been much talk about the growing indebtedness of the agricultural population, but no remedial action of a really helpful character, involving any outlay on the part of the State, has been undertaken. Happily, a change for the better again seems to have come upon the Government during the last three years. Your Excellency has placed the Frontier question on a satisfactory basis, and this is all the more remarkable because a certain vigorous speech of your Lordship's delivered long before there was any idea of your being entrusted with the highest office in this country had seemed to commit your Lordship to the views of the Forward School. The recent Resolution on the land question, however one may disagree with the controversial part of it, is conceived in a spirit of large-hearted sympathy with the struggling poor, and if the generous principles that it lays down for the future guidance of Local Governments are loyally carried out, they will win for the Government the deep gratitude of the people. In this connection I may venture to state that, so far as my Presidency is concerned, the Supreme Government has admitted the correctness of most of our contentions. Thus it is admitted that the pitch of assessment is too high in Gujarat. In the matter of revision enhancements, it is frankly stated that deviations from the rules have occurred in the past. In paragraph 37, it is strongly urged that in tracts where agricultural deterioration has, owing to whatever causes, taken place, there ought to be reduction of the State demand as a necessary measure of relief; and it is freely admitted that 'there have been cases in which a reduction was not granted till the troubles of the people had been aggravated by their efforts to provide the full fixed demand.' Lastly, greater elasticity is now promised in revenue-collection, facilitating its adjustment to the variations of the seasons and the circumstances of the people. After these frank admissions and generous assurances, it is somewhat interesting to recall a speech of the Revenue Member of the Bombay Government delivered two years ago in the Bombay Legislative Council, in which he told us, in reply to our suggestion that the principle of individual inquiry should be abandoned in respect of areas where the crop-failure was general, that a contract was a contract, and that though Government chose to help those whom it considered most in need of relief, no one could claim such relief as a matter of course. As regards irrigation, it is clear that its claims will receive fair recognition at your Lordship's hands in the near future. The questions of Police Reform, of Provincial Finance, Agricultural Banks and of Primary, Industrial and Agricultural Education are

territorial aggrandizement. The Army Commission<sup>1</sup> of 1879, after an exhaustive inquiry, had come to the same conclusion, *viz.*, that the then strength of the Army was sufficient not merely for the work of maintaining internal peace but also for repelling foreign aggression, even if Russia acted with Afghanistan as an ally. But the scare of a conflict with Russia was then so great that it carried everything before it, and the proposed additions to the Army were made in India. It may be noted that it was not only in India but in other parts of the British Empire too that large and sudden additions were then made to the existing garrisons, Mr. Gladstone obtaining a large vote of credit for the purpose. But the remarkable circumstance is that, whereas everywhere else the garrisons were reduced to their old proportions as soon as the scare passed away, in India alone the burden came to stay. The result of that was that the prophecy of Sir Auckland Colvin and his colleagues was fulfilled with painful promptitude, and within a year after the increases were made, Upper Burma was invaded, conquered and annexed. Well, my Lord, the contention that the additional troops were not wanted for Indian purposes is again forcibly illustrated by the fact that during the last two years over 20,000 troops are engaged outside India in doing the work of the Imperial Government, and that, though one of these two years saw the severest famine of the last century, the peace of the country has continued absolutely unbroken. I am aware that in one of your first speeches in this Council, Your Excellency was pleased to declare that so long as you were at the helm of affairs in India, no suggestion for a reduction of the strength of the Army would meet with any support at the hands of the Indian Government. Now, even if an opinion, expressed three years ago, be not liable to modification today, what we urge is, I submit, not necessarily a reduction of the strength of the Army located in India, but a reduction of its cost to the Indian people. What strength of the Army should be maintained in India is a question of high Imperial policy in which we are not allowed a voice. But this, I think, we may claim, that if the strength maintained is in excess of India's own requirements, as it is now plainly proved to be, the cost of the excess portion should, as a mere matter of justice, be borne by the Imperial Government. Even on the narrower ground that the Army in India is required for the maintenance of British rule, England, I submit, is as much interested in the maintenance of this rule here as we are, and so it is only fair that a portion of the cost should be borne on the English estimates. If this were done, and if Indians were

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1. Special Commission appointed by the Government of India with Sir Ashley Eden as President to inquire into the organisation and expenditure of the Indian Army.

seems to be forgotten, however, that the policy which Lord Cornwallis carried out was William Pitt's policy, and that that great statesman made the land-tax permanent in England at the same time that he asked the Governor-General of India to grant permanent settlement to Bengal. Those, however, who condemn the Bengal settlement have no fault to find with Pitt's fixing the land-tax in perpetuity in England. It is true that your Lordship's Government has declared itself against permanent settlement, but a position that has been reversed once may be reversed again, and I am not without hope that the wisdom of the proposals of Halifax<sup>1</sup> and Northcote, of Canning<sup>2</sup> and Lawrence<sup>3</sup>—most honoured names among the administrators of India—may come to be appreciated better on some future day.

### Necessity of Mass Education

Then the question of mass education must be undertaken in right earnest, and, if it is so undertaken, the present expenditure of Government on public education will require a vast increase. My Lord, it is a melancholy fact that while with us nine children out of every ten are growing up in ignorance and darkness, and four villages out of every five are without a school, our educational expenditure has been almost marking time for many years past; whereas in England, where every child of school-going age must attend a school, the Government expenditure on education has mounted from 4½ millions to 11½ millions sterling in the course of fifteen years, and Lord Rosebery is not yet satisfied! It may be asked how can the two things that I advocate simultaneously be achieved together, namely, a considerable reduction of taxation and a large increase in the outlay on education and other domestic reforms? My answer is that the only way to attain both objects simultaneously is to reduce the overgrown military expenditure of the country. My Lord, when the strength of the Army was increased in 1885 by 30,000 troops in spite of the protest of the Finance and the Law Members of the Government of India, it was pointed out by those two officers that the then existing strength of the Army was really sufficient for all purposes of India—for keeping quiet within the borders and repelling aggression from abroad, and that if the contemplated increase was effected, it would only constitute a temptation to the Indian Government to undertake undesirable schemes of

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1. *Viscount Halifax*, (formerly Sir Charles Wood) (1800-1885), Chancellor of the Exchequer, 1846-52; President, Board of Control, 1852-55; Secretary of State for India, 1859-66.

2. *Viscount Canning*, Governor-General of India, 1858-62.

3. *Lord Lawrence*, Governor-General of India, 1864-69.

be in a position—even more so than today — to influence the character of the Government of this country in the direction we so ardently desire. In this hope I have spoken to-day, and respectfully trust your Lordship will forgive me if here and there I have spoken with a frankness which may appear to be somewhat unusual, but which, in my humble opinion, is one of the highest forms which true loyalty can take.

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more widely employed in the public service of the country—more particularly in the special departments—Government will be able to reduce taxation and yet find money for more education, better Provincial finance, active efforts for the industrial development of India after the manner of the Japanese Government, and various other schemes of internal reform. Then will Indian finance be really placed on a truly sound basis, and then will our public revenues be administered as those of a poor country like India should be administered. My Lord, your Lordship spoke the other day in terms of striking eloquence of the need there is of Indians now giving up narrow views or limited ideals and feeling for the Empire with Englishmen that new, composite patriotism which the situation demands. Now that is an aspiration which is dear to the heart of many of us also. But the fusion of interest between the two races will have to be much greater, and the people of India allowed a more definite and a more intelligible place in the Empire, before that aspiration is realized. Let Englishmen exercise a certain amount of imagination and put themselves mentally into our place, and they will be able to better appreciate our feeling in the matter. It has been said that a little kindness goes a long way with the people of India. That, I think, is perfectly true. Who, for instance, ever thought of casting a doubt on the loyalty of the Indian Press in the time of Lord Ripon? There was strong language used then as now in the Press, but it was not in the Indian section of it. What, my Lord, is needed is that we should be enabled to feel that we have a Government national in spirit though foreign in personnel—a Government which subordinates all other considerations to the welfare of the Indian people, which resents the indignities offered to Indians abroad as though they were offered to Englishmen, and which endeavours by all means in its power to further the moral and material interests of the people in India and outside India. The statesman who evokes such a feeling among the Indian people will render a great and glorious service to this country and will secure for himself an abiding place in the hearts of our people. Nay, he will do more—he will serve his own country in a true spirit of Imperialism—not the narrower Imperialism which regards the world as though it was made for one race only and looks upon subject races as if they were intended to be mere footstools of that race—but that nobler Imperialism which would enable all who are included in the Empire to share equally in its blessings and honours. My Lord, I have said all this before your Lordship not merely because you happen to be Viceroy of India at the present moment, but also because every one feels that your Lordship is destined for even higher honours and for positions of greater responsibility and influence on your return to your native land. And, if this anticipation is realised, your Lordship will



## Salt Consumption.

Year.	Total consumption in millions of maunds
1881-82	28-37
1882-83	29-79
1883-84	30-65
1884-85	33-00
1885-86	31-69
1886-87	33-72

Increase in five years succeeding reduction of duty = 5-35 million maunds or 18 per cent.

1886-87	33-72	} During the four years since 1887-88, when the duty was enhanced, a steady decline in consumption took place, though the population of Upper Burma was added to the whole consuming population.
1887-88	33-063	
1888-89	31-351	
1889-90	33-046	
1890-91	33-280	
1891-92	34-429	} A slight advance
1892-93	35-057	
1893-94	33-628	
1894-95	34-150	
1895-96	34-685	
1896-97	34-062	
1897-98	34-524	
1898-99	35-26	
1899-1900	35-05	
1900-1901	35-72	

During the 14 years since 1886-87 the consumption has increased from 33-72 to 35-72 million maunds, *i. e.*, just 2 million maunds or less than 6 per cent.

The consumption has not kept pace even with the advance in population and shows no development whatever, such as is exhibited during the five years which followed the reduction of the salt-duty in 1882-83.

## Summary of Agricultural History since 1884-85

During this period, there has been not only no advance in any of the older provinces but a positive retrogression in all the more important elements of moral well-being.

*Punjab.* — Seven years of agricultural depression out of fourteen; a fall-off in cropped areas under rice, wheat, sugarcane, and cotton; the crop yield in several years below average.

*N. W. Provinces.* — Six bad years out of fourteen; a decline in rice, wheat, sugarcane, cotton and indigo areas; 1892-97 were years of deficient harvests.

*Orh.* — Six bad years; cropped areas stationary with a tendency to a fall-off in cotton and sugarcane.

*Bengal.* — Ten years of agricultural depression out of fourteen years of deficient harvest as well as diminished yield.

*Central Provinces.* — Seven bad years; seven years of diminished cropped acreages and reduced crop yield during the past decade;

# APPENDIX

## The Census

### *Population of British India in Millions*

Census of 1831...193 04	}	Increase during the decade.
" " 1891...221.25		22.1 millions = 11.3 per cent.
" " 1901...231.01		Increase 9.76 millions = 4.4 per cent.

A fall-off during the past decade, as compared with the previous decade—  
12.53 millions = 6.9 per cent.

A. Assam Sind Lower Burma Upper Burma	}	1891	1901	Increase or decrease	Percentage of increase or decrease	Remarks
		15.95	18.25	+2.30	14	Normal increase.
B. Bengal N.-W. Provinces Oudh	}	118.24	122.40	+4.17	3.5	7.6 millions less.
C. Bombay Central Pro- vinces, Berar	}	29.65	27.92	-1.73	5	4.7 millions less.
D. Punjab Madras	}	56.49	60.64	+4.15	7	1.4 millions less.

A—showing a normal development.

B & D have a total increase of 8.3 millions on an aggregate roll of 174.7 millions.

C has lost 1.7 millions in lieu of a normal increase of 3 millions  
= 4.7 millions the total loss.

### Vital statistics.

Year	Total deaths in millions	Ratio per mille,	Remarks.
1882	4.757	23.17	Average for five years (1882-86), 24.84.
1883	4.595	23.17	
1884	5.237	26.44	
1885	5.182	26.12	
1886	5.016	25.34	
1887	5.508	28.35	Average for five years (1887-91), 28.56.
1888	5.087	25.74	
1889	5.534	27.93	
1890	5.858	30.27	
1891	5.896	30.49	
1892	6.942	32.40	Average for four years (1892-95), 30.26.
1893	5.498	25.75	
1894	7.253	33.97	
1895	6.178	28.94	
1896	6.814	32.09	Average for four years (1895-99, a period of plague and famine), 31.14.
1897	7.658	36.03	
1898	5.669	26.44	
1899	6.437	30.01	

The figures for years subsequent to 1899 are not yet available, but the mortality during the famine of 1900-01 has been admittedly dreadful in certain parts of India.

"The area which bears more than one crop a year is counted twice over . . . This is not accurate even in cases of genuine double-cropping, as the produce of two harvests from the same field is less than the produce of two fields of the same area. But double-cropping is not unfrequently fictitious, as it often happens that a field is sown for *rabi* because it has failed in *khurif*, and is liable to be included in the double-cropped area."

Much of the double-cropping during the decade has been owing to the uncertainties of the seasons more or less, and is therefore of a "fictitious character."

### Areas under Superior Crops

Mere cultivated areas are, however, a subordinate factor in the problem, the profits of cultivation depending principally on the *kind of crop* grown, and the *crop-yield* obtained.

As to *superior cropping*, a fall-off in areas under *wheat*, *cotton*, *sugarcane*, *oil-seeds*, *jute*, *indigo* in most provinces, as may be seen from the table given below.

As to *yield*, the estimate of the local authorities, as given in the Lyall<sup>1</sup> Commission's Report, page 357 — working out to 800 lbs. per acre — is not endorsed by the Commission: they reject the estimates for *Bengal* as particularly *unreliable* and for *Burma* and *Bombay* as *too high*. The Commission are distinctly of opinion that whatever may have been the normal annual surplus of food-grains in 1880, the present surplus *cannot* be greater than that figure.

*Areas under certain crops in British India in million acres.*

Year	Wheat	Sugar-cane	Oil-seeds	Cotton	Jute	Indigo
1890-91	22.03	2.793	11.53	10.968	2.479	12.15
1891-92	20.18	3.134	12.84	8.839	2.100	11.55
1892-93	21.48	2.961	13.51	8.910	2.181	13.23
1893-94	22.21	3.033	14.81	10.438	2.230	15.35
1894-95	22.76	2.889	13.72	9.717	2.275	17.05
1895-96	18.53	2.930	12.84	9.600	2.243	15.69
1896-97	16.18	2.631	10.53	9.459	2.215	15.83
1897-98	19.94	2.648	12.56	8.914	2.159	13.66
1898-99	20.22	2.756	12.16	9.178	2.690	10.13
1899-1900	16.10	2.693	10.32	8.375	2.070	10.46

A marked decline in areas under—

Wheat	since 1894-95
Sugarcane	„ 1891-92
Oil-seeds	„ 1893-94
Cotton	„ 1893-94
Jute	„ 1894-95
Indigo	„ 1894-95

1. Sir James Lyall, (1845-1920), Chief Commissioner C. P., 1895-98; Chairman, Indian Famine Commission, 1898.

cattle mortality very heavy—3,898 million head of cattle having perished during 1896-99.

*Bombay.*—The whole decade 1889-99-1900 was a bad decade for the Presidency; six bad years culminating in the famines of 1896-98 and 1899-01, the worst famines on record; in the Deccan particularly scarcely a full crop during the past sixteen years.

*Mudras.*—Four bad years; a stationary state of things during the past decade with a decline in cotton and sugarcane areas.

Two famines: Famine of 1896-98—population affected 45·7 millions; the maximum number on relief 3·89 millions = 8 per cent. nearly.

Famine of 1899-1901: population affected 25·1 millions; the maximum number on relief 4·60 millions = 18 per cent.

### Cropped Area in British India.

Year	Total cropped area	Double-crop.	Net cropped area	Irrigated area
1890-91	217·622	23 248	194·413	28·30
1891-92	210 965	23·188	187·781	27·23
1892-93	221·224	23 305	195 918	26·83
1893-94	225·447	28 077	197·370	26·70
1894-95	213·761	27·160	196·600	23 82
1895-96	213·867	24 905	188·922	26·73
1896-97	200·416	22 905	177·512	29·36
1897-98	223 742	27·245	196·497	50·41
1898-99	223·334	27 166	196·487	30·41
1899-1900	203·895	23·745	180·151	31·54
		1890-91	194·413 million acres.	
		1898-99	196·487     "     "	

Increase :—2·074 million acres only.

Increased acreages in  
*Sind, Assam, Upper and  
Lower Burma, Coorg and  
Ajmer.*

5·34 million acres.

Therefore, elsewhere a decrease of 3·26 million acres in the older Provinces.

Thus in the older provinces, the net cropped acreage has fallen off simultaneously with an advance in the population.

The irrigated area shows some expansion during the decade, but that is due to droughts more than to the demands of an intensive cultivation.

As to double cropping, Mr. Holderness<sup>1</sup> in his Memo on the Food Production, North-Western Provinces and Oudh ( Appendix A ), says :—

1 Sir Thomas Holderness, (1849-1954). Secretary, Revenue and Agricultural Departments, Government of India, 1898-1901. Author of "Narrative of the Famine in India in 1896-97" and "Peoples and Problems of India" (H. U. L.)

*Export of Cotton*—Falling off since 1882-93,  
 In 1889-1890—18.6 crores  
 In 1900-1901—10.1 crores  
*or less by 8½ crores*

*Export of Indigo*—A decline during 1881-85 to 1892-93  
 " again during 1896-7 to 1900-01  
 In 1883-84—4.64 crores  
 Last year—2.13 crores only  
*or less by 2.51 crores*

*Export of Wheat*—Declining since 1892-93  
 In 1883-84—8.39 crores  
 In 1899-1900—3.9 crores only  
*or less by 5 crores*

*Export of Linseed*—Falling off since 1893-94  
 In 1893-94—7.5 crores.  
 Last year—4.45 crores only  
*or less by 3 crores*

*Export of Sugar*—In 1882-84—1.17 crores  
 Last year— .25 crores only  
*i. e., nearly wiped out*

*Export of Hides and Skins*—An enormous increase.  
 In 1880—3.75 crores.  
 In 1900-01—11.46 crores.  
*or more by 7½ crores*

*Export of Manures (bones)*—A large increase—from 3 lakhs in 1880 to  
 59 lakhs last year

*Export of Fodder*—Also a large increase—from 19 lakhs in 1893-94 to  
 70 lakhs last year

*Imports of Sugar*—Show an enormous expansion  
 In 1880-81—1.61 crores  
 Last year—5.65 crores  
*or more by 4 crores.*

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## Certain Exports and Imports (Value in Crores of Rupees)

Certain Exports and Imports										
Year	Exports						Imports		REMARKS	
	Cotton, raw	Indigo	Wheat	Linseed	Sugar	Hides and skins	Manures bones (In lakhs)	Fodder bran, Cattle food		Sugar
1880-81	13.24	3.37	3.27	3.69	.50	3.73	3.4		1.6	Exports in Raw Cotton, Indigo, Wheat, Linseed, Sugar, show large decline during the last decade, while the Export trade in Hides and Skins, Manures (bones) and Fodder exhibits an enormous development. Imports of sugar show an enormous expansion.
1881-82	14.94	4.50	2.62	3.00	.2	3.95	2.5		1.24	
1882-83	16.03	3.91	6.08	3.52	.98	4.44	4.3		1.08	
1883-84	14.45	4.64	8.89	4.33	1.17	4.66	13.4		1.14	
1884-85	13.29	4.6	6.31	4.91	.79	4.93	8.4		2.14	
1885-86	10.78	3.76	8.00	3.53	.73	5.33	10.8		1.45	
1886-87	13.47	3.69	8.62	5.17	.70	5.14	9.2		2.08	
1887-88	14.14	3.89	5.56	4.93	.64	4.86	13.2		2.11	
1887-88	14.14	3.89	5.56	4.93	.64	4.86	13.2		2.11	
1887-88	14.14	3.89	5.56	4.93	.64	4.86	13.2		2.11	
1887-88	14.14	3.89	5.56	4.93	.64	4.86	13.2		2.11	
1888-89	13.04	3.94	7.32	5.05	.75	4.74	17.5		1.79	
1888-89	13.04	3.94	7.32	5.05	.75	4.74	17.5		2.20	
1888-89	13.04	3.94	7.32	5.05	.75	4.74	17.5		3.39	
1889-90	18.67	3.86	5.79	4.73	1.18	4.52	24.3		2.56	
1889-90	18.67	3.86	5.79	4.73	1.18	4.52	24.3		2.82	
1890-91	16.53	3.07	6.04	4.98	.61	4.69	33.9		2.87	
1890-91	16.53	3.07	6.04	4.98	.61	4.69	33.9		3.10	
1891-92	10.76	3.21	14.38	6.79	.70	5.18	23.6	(In lakhs)	3.15	
1891-92	10.76	3.21	14.38	6.79	.70	5.18	23.6		4.78	
1892-93	12.74	4.14	7.44	5.52	.83	5.59	25.0		4.01	
1892-93	12.74	4.14	7.44	5.52	.83	5.59	25.0		3.37	
1893-94	13.31	4.18	5.19	7.50	1.23	5.80	28.0		5.65	
1893-94	13.31	4.18	5.19	7.50	1.23	5.80	28.0			
1894-95	8.70	4.74	2.56	6.74	.82	6.18	47.8			
1894-95	8.70	4.74	2.56	6.74	.82	6.18	47.8			
1895-96	24.09	5.35	3.91	4.13	.79	7.64	46.0			
1895-96	24.09	5.35	3.91	4.13	.79	7.64	46.0			
1896-97	12.97	4.35	.83	3.55	.91	7.00	42.2			
1896-97	12.97	4.35	.83	3.55	.91	7.00	42.2			
1897-98	8.87	3.05	1.34	2.86	.41	8.31	39.5			
1897-98	8.87	3.05	1.34	2.86	.41	8.31	39.5			
1898-99	11.19	2.97	9.71	5.13	.38	7.43	40.8			
1898-99	11.19	2.97	9.71	5.13	.38	7.43	40.8			
1899-1900	9.12	2.69	3.90	4.50	.45	10.46	61.2			
1899-1900	9.12	2.69	3.90	4.50	.45	10.46	61.2			
1900-1901	10.12	2.13	.03	4.45	.24	11.46	59.0			

of the tax-payers, who have had to submit to continuous and ceaseless additions to the taxation of the country during the last eighteen years, to some measure of relief might be safely considered. My Lord, as regards the particular form of relief decided upon by Government, I have nothing but the warmest congratulations to offer. I confess I was not without apprehension that Lancashire, with its large voting strength in the House of Commons and its consequent influence with the Secretary of State for India, might once more demonstrate how powerless the Indian Government was to resist its demands and that the abolition of cotton-duties might take precedence of the reduction of the duty on salt. My fears, however, have happily been proved to be groundless, and I respectfully beg leave to congratulate Government on the courage, the wisdom and the statesmanship of their decision. Public opinion in India has for a long time prayed for these very measures of relief, and the National Congress has, year after year, urged upon the attention of Government the necessity of raising the taxable minimum limit of the income-tax from five hundred rupees to one thousand, and of reducing the duty on salt from Rs. 2-8 a maund to Rs. 2 at the earliest opportunity. My Lord, I am surprised to hear the opinion expressed in some quarters that the reduction of the salt-duty will not really benefit the vast mass of our population, but that it will only mean larger profits to small traders and other middlemen. I think that those who express such an opinion not only ignore the usual effect on prices of competition among the sellers of commodities, but that they also ignore the very obvious lesson which the figures of salt consumption during the last twenty years teach us. An examination of these figures shows that, during the five years that followed the reduction of the salt duty in 1882, the total consumption of salt advanced from 28-37 millions of maunds to 33-71 millions— an increase of 5-35 million maunds or fully 18 per cent. In 1887-88, the duty was raised from Rs. 2 to Rs. 2-8 a maund, which not only arrested the steady increase of the previous five years, but actually led to a reduced consumption during the next four years, and this in spite of the fact that the figures for these years included for the first time the figures of salt consumption in Upper Burma. It was not till 1891-92 that the ground thus lost was again recovered, but since then consumption has remained virtually stationary, only a very slight advance of less than 6 per cent. being recorded in fourteen years as against an increase of 18 per cent. in five years previous to the enhancement of the salt duty. My Lord, I am confident that what has happened before will happen again, and that the Finance Member will not have to wait long before he is able to announce that the consumption of salt is once again steadily on the increase, that the loss of

## BUDGET SPEECH, 1903

[At a meeting of the Imperial Legislative Council held on Wednesday, the 25th March, 1903, Lord Curzon, the Viceroy, presiding, Gokhale made the following speech on the Financial Statement for 1903-04 presented by Sir Edward Law :—]

### Measures of Relief to Tax-payers Welcomed

Your Excellency,— I desire at the outset respectfully to associate myself with what has been said by my Hon'ble colleagues, who have preceded me, in recognition of the important measures adopted by Government this year to give relief to the tax-payers of this country. For five successive years now, the Hon'ble Finance Member has been able to announce a large surplus of revenue over expenditure, and these surpluses have aggregated over 22 crores of rupees, as may be seen from the following figures :—

Year					Surplus in crores of Rupees
1898-1899	...	...	...	...	3.9
1899-1900	...	...	...	...	4.2
1900-1901	...	...	...	...	2.5
1901-1902	...	...	...	...	7.4
1902-1903	...	...	...	...	4.1
Total for five years ...					22.1

Moreover, a sum of over eleven crores has been spent during the period out of current revenues for meeting extraordinary charges, but for which the aggregate surplus would have amounted to over 33 crores of rupees. My Lord, to take from the people a sum of 22 crores in five years over and above the requirements of Government—ordinary and extraordinary—at a time again when the country was admittedly suffering from famine and plague and general industrial depression as it had never suffered before, is a financial policy, the justification of which is not at all clear; and I cannot help thinking that even the cautious mind of the Hon'ble Member ought to have been satisfied with a shorter period than five years and a smaller total surplus than 22 crores to be able to recognise that with a 16d. rupee Government were bound to have large and recurring surpluses year after year, when the level of taxation had been so determined as to secure financial equilibrium on the basis of a 13d. rupee. However, it is better late than never, and I sincerely rejoice that my Hon'ble friend was at last able to advise Government that the time had come when the claims



a raising of the taxable minimum limit of the income-tax, and the abolition of the excise duties on cotton-goods. Two of these three prayers have been granted by Government this year, and it was much to be wished that they had seen their way to grant the third also. These excise duties illustrate what John Stuart Mill has said about the government of the people of one country by the people of another. They were levied not for revenue purposes but as a concession to the selfish agitation of Manchester. They are maintained owing to a disinclination on the part of Government to displease that same powerful interest, though the mill industry in this country, owing to various causes, not the least important of which is the currency policy of Government themselves, is in a state of fearful depression. The justification ostensibly urged in favour of their retention is that the principles of free trade would be violated if they were removed while the imports from Manchester were liable to Customs duties. The hollowness of this justification has, however, been effectively shown up by the present Editor of the *Times of India* in the brief Introduction contributed by him to a pamphlet, published some time ago by my friend Mr. B. J. Padshah<sup>1</sup>, in which the question of the effect produced by the excise duties on the cotton industry of India has been examined with elaborate care and a clear grasp of principles.

"In deference to the representations of Lancashire millowners," says the writer of the Introduction, "India was compelled to impose an excise-duty upon her own cotton manufactures. That is to say, she was forced to tax an internal industry at a peculiarly inopportune time for the benefit of Lancashire. She was practically sacrificed to political exigencies of the moment. The British Parliament has now imposed a duty—not large but enough to be felt—upon imported corn. India sends corn to England just as Lancashire sends piece-goods to India. If the British Parliament really desires to render that justice to India which it so frequently professes, its only logical course must be to place an excise duty on its own home-grown corn. Such a proposition is naturally impossible, but it serves to throw into strong relief the essential injustice of the present treatment of the Indian cotton industry. The British Parliament is willing enough to thrust taxation upon Indian millowners for the benefit of their Lancashire brethren; but it places a protecting arm round the British farmer as against India."

In no other country would such a phenomenon of the Government taxing an internal industry—even when it was bordering on a state of collapse—for the benefit of a foreign competitor be possible, and I am inclined to believe that the Government of India themselves regret the retention of these duties as much as any one else. I earnestly hope that, before another year is over, the Secretary of State for India

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1. Author of a booklet on "The Cotton Industry of India and the Cotton Duties", 1902.

revenue caused by the reduction in duty at present will be only a temporary loss, and that in a few years' time it will disappear altogether in consequence of increased consumption.

Again, my Lord, I have heard the opinion expressed that the duty on salt does not after all constitute any serious burden on the resources of the poorer classes of our community, because this duty, it is urged, is the only tax which they contribute to the State. Here, again, I must say that those who express such a view hardly realise what they are talking about. Our revenue is principally derived from Land, Opium, Salt, Excise, Customs, Assessed Taxes, Stamps, Forests, Registration and Provincial Rates. Of these, the Opium Revenue is contributed by the foreign consumer and may be left out of account. Of the remaining heads, the proceeds of the Assessed Taxes are the only receipts that come exclusively from the middle and upper classes of the people, and they are represented by a comparatively small sum, being less than two crores of rupees a year. On the other hand, the bulk of the Salt Revenue comes from the pockets of the poorer classes. The Abkari Revenue again is contributed mainly by them; so also is the Forest Revenue. Under Stamps and Registration, they contribute their fair share—possibly more than their share, as the bulk of our litigation is about small sums. I believe they also contribute their share under Customs. And as regards Land Revenue and Provincial Rates, in raiyatwari tracts at any rate, a large proportion of this revenue comes from very poor agriculturists. So far, therefore, from contributing less than their fair share to the exchequer of the State, the poorer classes of our community contribute, as a matter of fact, much more than they should, relatively to their resources; and Government have, therefore, done wisely in deciding to give relief to these classes by a reduction of the duty on salt. I trust it may be possible for Government to reduce this duty still further in the near future, for the consumption of salt, which in the time of Lord Lawrence was found to be about 12 lbs. per head in some parts of India, is now not even 10 lbs. per head, whereas the highest medical opinion lays down 20 lbs. per head as a necessary standard for healthful existence.

#### Abolition of Excise Duties on Cotton Goods Urged

My Lord, in the remarks which I made in the course of the Budget discussion of last year, I dwelt at some length on the heavy and continuous additions made by Government to the taxation of the country since 1886, and I urged that as the currency policy adopted by Government had put an end to their exchange difficulties, some relief should be given to the sorely-tried tax-payers by a reduction of the salt-duty,

of the people so largely depends. As things stand at present, Indian finance is virtually at the mercy of military considerations, and no well-sustained or vigorous effort by the State on an adequate scale for the material advancement or the moral progress of the people is possible while our revenues are liable to be appropriated in an ever-increasing proportion for military purposes. My Lord, I do not wish to speak today of the serious and alarming increase that has taken place during the last eighteen years in the military expenditure of the country, which has risen in a time of profound peace from about 17½ crores—the average for 1882–85—to 26½ crores, the amount provided in the current year's Budget, *i. e.* by over 50 per cent., when the revenue derived from the principal heads has risen from 51 crores to 69 crores only, *i. e.*, by about 35 per cent. Our Military expenditure absorbs practically the whole of our Land-revenue and exceeds the entire civil expenditure of the country by about 2½ crores, thus demonstrating the excessive preponderance of the military factor in Indian finance. In no country throughout the civilised world do the Army services absorb so large a proportion of the national income. Not even in Russia is this expenditure more than one-fourth of the total ordinary revenue, while with us it is about one-third, omitting, of course, from the Revenue side Railway receipts, which are balanced by a corresponding entry on the Expenditure side. Military safety is no doubt a paramount consideration to which every other must yield, but military preparedness has no definite standard and might absorb whatever resources can be made available for it practically without limit. Moreover, the demands of military improvement must grow more and more numerous and insistent as years roll by, and there can be no finality in such matters. Military efficiency must, therefore, as Lord Salisbury<sup>1</sup> once pointed out, be always *relative i. e.*, determined in the case of each country by a combined consideration of its needs of defence and the resources that it can fairly devote for the purpose. Judged by this test, our military expenditure must be pronounced to be much too heavy, and unless effective measures are taken to bring about its reduction, or at any rate prevent its further increase, there is but little hope that Government will ever be able to find adequate funds for public education or other important and pressing measures of internal improvement. The question cannot be put better than in the eloquent words used by Lord Mayo<sup>2</sup> in his memorable minute on the subject dated 3rd October, 1870—words which are as true today as they were thirty years ago—if anything, even more so.

1. Lord Salisbury was Secretary of State for India as Lord Cranborne, 1866–1867 and again as Marquis of Salisbury, 1874–1878. He was thrice Prime Minister.

2. Governor-General of India, 1867–72. He was assassinated at Port Blair, Andaman Islands, February 8, 1872.

and the British Cabinet will come to realise the great necessity and importance of abolishing these duties, whose continued maintenance is not only unjust to a great Indian industry, but also highly impolitic on account of the disastrous moral effect which it cannot fail to produce on the public mind of India.

### High Military Expenditure Criticised

My Lord, the Financial Statement rightly observes that for the first time since 1882, the Government of India have this year been able to announce a remission of taxation. Twenty-one years ago, a Viceroy, whose name will ever be dear to every Indian heart, assisted by a Finance Minister who has since risen to a most distinguished position in the service of the Empire, took advantage of the absence of any disturbing elements on the financial horizon to modify and partially reconstruct the scheme of our taxation and expenditure. The financial reforms of Lord Ripon<sup>1</sup> and Major Baring<sup>2</sup> (now Lord Cromer), joined to other great and statesmanlike measures of that memorable administration, roused throughout the country a feeling of enthusiasm for British rule such as had never before been witnessed; and the mind of every Indian student of political and financial questions constantly harks back to that time, because it sought to fulfil in a steady and earnest manner the higher purpose of England's connection with India. The fiscal status established during that period was rudely disturbed in 1885 in consequence of an apprehension of Russian aggression on the North-Western Frontier, and a period of continuous storm and stress, financial and otherwise, followed, which I venture to think has now happily come to a close. During the fourteen years—from 1885 to 1898—the Government of India took about 120 crores of rupees from the people of this country over and above the level of 1882-85 (inclusive of about 12 crores for Upper Burma) under the larger heads of Revenue—about 36 crores under Land Revenue, 25 under Salt, 12 under Stamps, 18 under Excise, 15½ under Customs and 13½ under Assessed Taxes. Nearly 80 crores out of this additional 120 crores, i. e. fully two-thirds, was swallowed up by the Army services, whereas the share that fell to the lot of public education out of this vast sum was represented by less than a crore of rupees. My Lord, I mention these facts not to indulge in vain regrets about a past which is now beyond recall, but because I wish earnestly and respectfully to emphasise the great necessity of increased expenditure in future on objects which have so far been comparatively neglected, as on these the ultimate well-being

1. Governor-General of India, 1880-84.

2. Finance Member, Government of India, 1880-83.

force, without any strong auxiliary supports in the country such as exist in European States, and its strength can be augmented only by an arithmetical increase of its cost. In Western countries and even in Japan, which has so successfully copied the Western system, the establishment maintained in times of peace can, owing to their splendid system of reserves, be increased three, four, five, even six times in times of war. Japan, for instance, which spends on her Army in times of peace about one-fourth of what we spend, has a peace establishment half our own and can mobilize in times of war nearly double the number of men that India can. *The British troops in this country are under the Short Service system, but owing to the peculiarity of the situation, the main advantage of Short Service — viz., securing for the country a large body of trained reservists — goes to England, while all the disadvantages of the system — the paucity of seasoned soldiers, increased payments to the British War Office for recruitment charges and increased transport charges — have to be borne by us. The native Army is in theory a Long Service army, but it was calculated by the Simla Army Commission, on the basis of the strength which then existed, that as many as 80,000 trained Native soldiers obtained their discharge and returned to their homes in ten years' time. And the formation of reserves was proposed by the Commission so as to keep the greater number of these men bound to the obligations of service and also in the hope that the reserves so formed in time of peace might 'enable the Government to reduce the peace strength of the Native Army'. The Commission apprehended no political danger from such a restricted system of reserves, and it was calculated that the proposed reserves, if sanctioned, would absorb about 52,000 out of the 80,000 men retiring from the Army every ten years. Acting on this recommendation, Lord Dufferin's<sup>1</sup> Government decided on the formation of such reserves and proposed to begin with two kinds—regimental and territorial reserves — of which the latter system was naturally better suited to the circumstances of such a large country and would undoubtedly have succeeded better. But the India Office, more distrustful in the matter than the men on the spot, disallowed the formation of territorial reserves, with the result that our reservists today do not number even 20,000 men. Practically, therefore, we have to place our sole reliance on a standing army and while the plan is, financially, the most wasteful conceivable, even as an organisation of national defence, it is radically faulty. No pouring out of money like water on mere *standing battalions* can ever give India a military strength and preparedness which other civilised countries possess, while the whole population is disarmed and the process of demartialization con-*

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1. Governor-General of India, 1834-83.

" Though the financial necessities of the hour," said he, " have brought more prominently to our view the enormous cost of our army (16·3 crores) as compared with the available resources of the country, I cannot describe fiscal difficulty as the main reason for the course we have taken. I consider that if our condition in this respect was most prosperous, we should still not be justified in spending *one shilling more* on our army than can be shown to be absolutely and imperatively necessary. There are considerations of a far higher nature involved in this matter than the annual exigencies of finance or the interests of those who are employed in the military service of the Crown. Every shilling that is taken for unnecessary military expenditure is so much withdrawn from those vast sums which it is our duty to spend for the moral and material improvement of the people. "

The present strength of our Army is in excess of what the Simla Commission<sup>1</sup> of 1879—of which Lord Roberts<sup>2</sup> was a member—pronounced to be sufficient both for the purpose of maintaining internal peace and for repelling foreign aggression, not only if Russia acted alone, but even if she acted with Afghanistan as an ally. General Brackenbury<sup>3</sup>, some time ago Military Member of the Governor-General's Council, admitted in his evidence before the Welby Commission that the present strength was in excess of India's own requirements and that a portion of it was maintained in India for Imperial purposes. The truth of this statement was forcibly illustrated during the last three years when India was able to spare, without apparent danger or inconvenience, a large number of troops for Imperial purposes in South Africa and China. Again, since the Army increases of 1885 were made, a great deal has been done at a heavy outlay of money to strengthen our coast and frontier defences and to place the administration of the Army on a sounder basis. The armed strength has, moreover, improved in other directions also. The number of Volunteers has increased by nearly 13,000 men. The Native Army reservists now number close upon 20,000 and the Imperial Service troops about 18,900—both new and recent creations. My Lord, I am free to admit that in these matters Government are bound to be guided, mainly, if not exclusively, by the opinion of their expert military advisers. But there are certain broad features of the situation—certain large questions of general policy—which, I believe, it is open to every one to discuss: and I venture to submit, with much diffidence and not without a sense of responsibility, a few remarks on this subject for the consideration of your Excellency's Government. Our Army is for all practical purposes a standing army, maintained on a *war footing* even in times of peace. It is altogether an *inexpansive*

1. A special commission appointed by the Government of India to inquire into the organisation and expenditure of the Army in India (1879).

2. Field-Marshal Lord Roberts, Commander-in-Chief of India, 1885-93.

3. General Sir Henry Brackenbury (1837-1914); Private Secretary to Lord Lytton, 1880; Military Member, Governor-General's Executive Council, 1891-96.

of the remarks which I had made on this subject, the Hon'ble Member was pleased to state that I had been arbitrary in my selection of certain periods for comparison and that I had compared the statistics of an earlier period which was normal with those of a later period which was disturbed by successive famines. The Hon'ble Member's criticism was based on a misapprehension, because I had precisely avoided doing what he said I had done. However, having passed that criticism on me, one would have expected that the Hon'ble Member would be particularly careful in the selection of his own statistics. I am sorry, however, my Lord, to find that some of his figures are not only arbitrarily selected, but are used in a manner which I can only describe as misleading. Take, for instance, the figures of Salt-revenue. The Hon'ble Member starts with the year 1899-1900, when the Salt-revenue was 5·85 millions sterling, and points out that it had risen to 6·04 millions for 1902-1903. Now, in the first place, the rise here is very small. But will the Hon'ble Member tell me why he took 1899-1900 as his starting year and not the preceding one, viz., 1898-99, the Salt-revenue for which was 6·06 millions sterling, i. e., slightly over the figure for 1902-03? If we take 1898-99 as our starting year, we can deduce from these same figures the conclusion that the Salt-revenue has actually diminished during these four years and that the ground lost since 1898-99 has not yet been regained. Again, take the figures for Stamps. As they are presented by the Hon'ble Member, they no doubt show a small steady increase and the revenue for 1902-03 appears larger than for 1901-02, the figures given by the Hon'ble Member being 3·472 millions sterling for 1902-03 as against 3·446 millions sterling for 1901-02. But the Hon'ble Member seems to have lost sight of the fact that the figure for 1902-03 includes the revenue for Berar, which the figure for 1901-02 does not do; so that for purposes of a fair comparison the Berar revenue must be deducted from the former. The amount for Berar included in the figure for 1902-03 is, as Mr. Baker<sup>1</sup> tells us, about £28,700. And this amount being deducted we get for 1902-03 a revenue of 3·443, which, it will be seen, is slightly lower than for the preceding year; and in fact Mr. Baker himself speaks in his note of the Stamp-revenue declining slightly during the year. The Hon'ble Member has also omitted to deduct receipts for Berar under Excise and Post Office from his figures for 1902-03, and has moreover made no mention, as Mr. Baker has done, of the recent assemblage at Delhi being responsible for a portion of the increase under Post Office. It is true that, even after deducting the Berar quota, the Excise-revenue shows some increase, but the Hon'ble Member must forgive me if I say

1. Finance Secretary at the time.

tinues apace. The policy of placing the main reliance for purposes of defence on a standing army has now been discarded everywhere else, and at the present moment India is about the only country in the civilised world where the people are debarred from the privileges of *citizen soldiery* and from all voluntary participation in the responsibilities of national defence. The whole arrangement is an unnatural one; one may go further and say that it is an impossible one, and if ever unfortunately a day of real stress and danger comes, Government will find it so. My Lord, I respectfully plead for a policy of a little more trust in the matter. I freely recognise the necessity of proceeding with great caution, and if Government are not prepared to trust all parts of the country or all classes of the community equally, let them select particular areas and particular sections of the community for their experiment. What I am anxious to see is the adoption of some plan, whereby, while a position of greater self-respect is assigned to us in the work of national defence, the establishments necessary during peace and war times may be separated and thus our finances may be freed from the intolerable pressure of an excessive and ever-growing military expenditure.

### Deteriorating Economic Condition of the Masses

My Lord, the question which, in my humble opinion, demands at the present moment the most earnest and anxious attention of Government is the steady deterioration that is taking place in the economic condition of the mass of our people. In my speech on last year's Budget, I ventured to dwell at some length on this subject, and I have no wish to repeat again today what I then said. But the Hon'ble Sir Edward Law has made a few observations on the question in the Financial Statement under discussion which I deem it my duty not to allow to pass unchallenged. At page 20 of the Statement, under the heading of Economic Progress, my Hon'ble friend observes :

"As a general indication of the increasing wealth of the taxpayers, I think that a very fairly correct estimate of the position is to be obtained by noting the increase in revenue returns under heads the returns from which are manifestly dependent on their spending power. Such heads are Salt, Excise, Customs, Post Office and in a lesser degree Stamps, and I give the following figures, showing progress in revenue under these heads during the last three years. . . . . The inevitable deduction from the figures tabulated must be that *the material prosperity of the people as a whole is making good progress.*"

My Lord, I can only say that I am amazed at the Hon'ble Member's idea of what he calls 'the good progress' of the material prosperity of the people. Are the figures really so striking that they should convey to his mind a clear and emphatic assurance on a momentous question and fill him with such evident satisfaction? Last year, in replying to some



has been alarmingly on the increase all over the country ; their losses in crops and cattle during the last five years have been estimated at 300 crores of rupees ; the currency legislation of the Government has enormously depreciated their small saving in silver ; the wages of labourers have not risen, during the last twenty years and more, in proportion to the rise in the prices of necessaries. I venture to think that unless these disquieting symptoms are properly diagnosed, not even the high authority of my Hon'ble friend will suffice to convey any assurance to the public mind that ' the material prosperity of the people as a whole is making good progress, ' and that no apprehensions need be entertained for the future, if only the revenue under certain heads continues to advance as it has done during the past three years.

### Need for Industrial and Educational Advancement

My Lord, Indian finance seems now to be entering upon a new and important phase, and the time has come when Government should take advantage of the comparative freedom, which the country at present enjoys, from the storm and stress of the past eighteen years, to devote its main energies to a vigorous and statesmanlike effort for the promotion of the material and moral interests of the people. Speaking roughly, the first half of the nineteenth century may be said to have been for British rule a period of conquest and annexation and consolidation in this land. The second half has been devoted mainly to the work of bringing up the administrative machine to a high state of efficiency and evolving generally the appliances of civilised government according to Western standards. And I venture to hope that the commencement of the new century will be signalized by a great and comprehensive movement for the *industrial and educational advancement of the people*. After all, the question whether India's poverty is increasing or decreasing under the operation of the influences called into existence by British rule — though of great importance in itself — is not nearly so important as the other question as to what measures can and must be taken to secure for this country those moral and material advantages which the Governments of more advanced countries think it their paramount duty to bring within the easy reach of their subjects. My Lord, I have no wish to judge, it is perhaps not quite just to judge, the work done so far in these directions by the British Government in India by the standard of the splendid achievements of countries more fortunately circumstanced and having a more favourable start than ourselves in the field. I admit the exceptional character of our Government and the conflicting nature of the different interests which it has got to weigh before taking any decisive action in this matter. But after so many years of settled government and of

that that is not necessarily a sign of increased prosperity, though it is undoubtedly a sign of increased drunkenness in the land.

Finally, many will decline to accept an increase of Customs-revenue in the present circumstances of India as any evidence of growing material prosperity. The bulk of our imports consists of manufactured goods, and almost every increasing import of foreign goods, far from indicating any increase in the country's purchasing power, only connotes a corresponding displacement of the indigenous manufacturer. Thus, while the import of cotton-goods has been for years past steadily increasing, we know, as a matter of fact, that hundreds and hundreds of our poor weavers throughout the country have been and are being driven by a competition they cannot stand to give up their ancestral calling and be merged in the ranks of landless labourers—and this typifies to a great extent the general transformation that is fast proceeding throughout the country. The process of such displacement is not yet complete, but the large and progressive totals of our import-trade only show that the transition of the country from the partially industrial to the purely agricultural phase of economic life is going on at a rapid pace, and that the movement has already reached an advanced stage. There is at present hardly a country in the world which has become so preponderatingly agricultural or sends abroad so much of its food-supply and raw material for manufactures as British India. When the disastrous transformation is completed—and this is now only a question of time unless remedial measures on an adequate scale are promptly undertaken—it will reveal a scene of economic helplessness and ruin before which the heart of even the stoutest optimist will quail. No doubt there are here and there signs of an awakening to the dangers of the situation; but the first condition of this awakening producing any appreciable practical results is that the fact of our deep and deepening poverty and of the real exigencies of the economic position should come to be frankly recognised by the Government of this country. And, my Lord, it is a matter for both surprise and disappointment that a few paltry increases in revenue under certain heads should be accepted by the Finance Minister of this country as conclusive evidence of our growing material prosperity, when many most important indications point just the other way. The annual death-rate, independently of famine and plague, has been steadily rising for the last twenty years, showing that a steadily increasing proportion of the population is being underfed; the increase of population during the last decade has been much less than normal; there has been a diminution of the net cropped area in the older Provinces and a more or less general shrinkage of the area under superior crops; the indebtedness of the agricultural population

longer this work is delayed, the more insuperable will be our difficulties in gaining for ourselves a recognised position among the nations of the world. My Lord, the history of educational effort in this country during the last twenty years is sad and disheartening in the extreme. Lord Ripon's Government, which increased the State contribution to education by about 25 per cent., *i. e.*, from 98 lakhs to 124 lakhs between 1880 and 1885, strongly recommended, in passing orders upon the Report of the Education Commission of 1882, that Local Governments and Administrations should make a substantial increase in their grants to Education, and promised special assistance to them from the revenues of the Government of India. But, before the liberal policy thus recommended could be carried out, a situation was developed on the frontiers of India which led to increased military activity and the absorption of all available resources for Army purposes, with the result that practically no additional funds were found for the work of Education. And in 1888 the Government of India actually issued a Resolution stating that, as the duty of Government in regard to Education was that of merely pioneering the way, and as that duty had on the whole been done, the contribution of the State to Education should thereafter have a tendency to decrease. Thus, while in the West the Governments of different countries were adopting one after another a system of compulsory and even free primary education for their subjects, in India alone the Government was anxious to see its paltry contribution to the education of the people steadily reduced ! In the quinquennium from 1885-86 to 1889-90 the State grant to Education rose from 124.3 lakhs to 131.6 lakhs only, *i. e.*, by less than 6 per cent., and this in spite of the fact that the amount for the latter year included State expenditure on Education in Upper Burma which the former year did not. Since 1889-90 the advance under the head of Educational expenditure from State funds has been slightly better, but part of this increase since 1893 has been due to the grant of exchange compensation allowance to European officers serving in the Educational Department throughout India. It is only since last year that the Government of India has adopted the policy of making special grants to Education, and I earnestly hope that, as year follows year, not only will these grants be increased, but they will be made a part of the permanent expenditure of the State on Education. In this connection, I would earnestly press upon the attention of Government the necessity of making Education an Imperial charge, so that the same attention which is at present bestowed by the Supreme Government on matters connected with the Army Services and Railway expansion might also be bestowed on the education of our people. Under present arrangements, Education is a Provincial charge, and the Provincial Governments and Administrations have made over Primary Education

unchallenged British supremacy, it is, I humbly submit, incumbent now upon the rulers of this country to gradually drop the exceptional character of their rule and to conform year by year more and more to those advanced notions of the functions of the State which have found such wide, I had almost said, such universal acceptance throughout the Western world. European States, for years past, have been like a number of huge military camps lying by the side of one another. And yet in the case of those countries, the necessity of military preparedness has not come and does not come in the way of each Government doing its utmost in matters of popular education and of national industries and trade. Our record in this respect is so exceedingly meagre and unsatisfactory, even after making allowances for our peculiar situation, that it is almost painful to speak of it along with that of the Western nations. In Europe, America, Japan and Australia, the principle is now fully recognised that one of the most important duties of a Government is to promote the widest possible diffusion of education among its subjects, and this not only on moral but also on economic grounds. Professor Tews of Berlin, in an essay on Popular Education and National Economic Development, thus states his conclusions on the point :

1. "General education is the foundation and necessary antecedent of increased economic activity in all branches of national production in agriculture, small industries, manufactures and commerce. (The ever-increasing differentiation of special and technical education, made necessary by the continual division of labour, must be based upon a general popular education and cannot be successful without it.)

2. The consequence of the increase of popular education is a more equal distribution of the proceeds of labour contributing to the general prosperity, social peace, and the development of all the powers of the nation.

3. The economic and social development of a people, and their participation in the international exchange of commodities, is dependent upon the education of the masses.

4. For these reasons the greatest care for the fostering of all educational institutions is one of the most important national duties of the present."

My Lord, it is essential that the principle enunciated with such lucidity by Professor Tews in the foregoing propositions should be unreservedly accepted in this country as it has been elsewhere, and that a scheme of mass education should now be taken in hand by the Government of India so that in the course of the next twenty-five or thirty years a very appreciable advance in this direction might be secured. It is obvious that an ignorant and illiterate nation can never make any solid progress and must fall back in the race of life. What we therefore want -- and want most urgently -- is first of all a widespread diffusion of elementary education -- an effective and comprehensive system of primary schools for the masses -- and the

Name of country	Population in millions	Total enrolment in Primary Schools in millions	Ratio of enrolment to population	Total expenditure in millions of pounds	Expenditure per head of population	Remarks
					s. d.	
Italy	32	2.4	7.3	2.5	1 7	
Norway	2	.3	16.4	4.5	4 6	
Portugal	5	.24	4.7	...	...	Figures of expenditure not available
Russia	126.5	3.8	3	4†	0 8	† State contribution only
Spain	18.2	1.4	7.4	...	..	Figures of expenditure not available
Sweden	5.1	.74	14.5	1.1	4 2	
Switzerland	3.1	.65	20.7	1.3	8 5	
ASIA						
India (British)	221.2	3.16	1.4	.76	0 83	
Japan	42.7	3.3	7.8	2	0 11	
AFRICA						
Cape Colony	1.5	.15	9.65	.27	3 6	
Natal	.54	.02	4.50	.06	2 2	
Egypt	9.7	.21	2.17	...	...	Expenditure figures not available.
AMERICA						
United States	75.3	15.3	20.9	44.5	9 10	
Canada	5.2	.95	18	2	7 9	
AUSTRALASIA	4.3	.79	18	2.5	11 7	

The figures of expenditure on Higher Education in various countries are also most interesting and instructive:—

Name of country	Total amount spent	Expenditure per capita of population
Austria	.56 millions sterling	6d.
Belgium	.16 "	6d.
Denmark	.06 "	8d.
France	.92 "	6d.
Germany	1.6 "	7d.
Great Britain & Ireland	1.7 "	11d.
Greece	.02 "	2d.
Italy	.46 "	3½d.
Norway	.04 "	4d.
Russia	.95 "	2d.
Spain	.1 "	1½d.
Sweden	.14 "	6½d.
Switzerland	.14 "	11d.
United States	3.5 "	11d.
Canada	.21 "	10d.
Australasia	.13 "	3d.
India	.28 "	7d.

to local bodies whose resources are fixed and limited. No serious expansion of educational effort is under such arrangements possible. In the Bombay Presidency, for instance, District Local Boards, who have charge of Primary Education in rural areas, derive their revenue from the one-anna cess which they have to devote in certain fixed proportions to Primary Education, Sanitation and Roads. Now, our revenue settlements are fixed for thirty years; which means that the proceeds of the one-anna cess in any given area are also fixed for thirty years, and as Government, as a rule, contributes only one-third of the total expenditure of these Boards on Education, it is clear that the resources that are available at present for the spread of Primary Education in rural areas are absolutely inelastic for long periods. There are altogether about  $5\frac{1}{2}$  lakhs of villages in British India, out of which, it has been calculated, four-fifths are at present without a school; the residents of these villages pay the local cesses just like other villagers, and yet the necessary educational facilities for the education of their children are denied them!

#### India's Educational Backwardness

The position as regards the spread of primary education and the total expenditure incurred in connection with it in different countries is shown in the following table. The figures are taken from the Reports of the United States Commissioner of Education, and are for 1897 or 1898 or 1899 or 1900 as they have been available :

Name of country	Population in millions	Total enrolment in Primary Schools in millions	Ratio of enrolment to population	Total expenditure in millions of pounds	Expenditure per head of population	Remarks
EUROPE						
Austria-Hungary	41.4	6.2	15	5.35	2 6	Expenditure figures not available *On Public Schools only, which enrol about three-fourths of the total
Belgium ...	6.7	.8	14.5	1.5	4 6	
Denmark ...	2.2	.3	14	..	...	
France ...	39.5	5.5	14.4	8.3*	4 11	
Prussia ...	34.5	6.3	20	9.2	5 4	
England and Wales ...	31.7	5.7	17.7	13.1	5 0	Figures of expenditure not available
Scotland ...	4.3	.7	17	1.6	7 8	
Ireland ...	4.5	.8	17.6	1.2	5 5	
Greece ...	2.5	.16	6.7	...	...	

really model ones by bringing up their equipment to the highest standard and manning them only with the best men that can be procured both here and in England, the private colleges would necessarily find themselves driven to raise their own standard of equipment and efficiency. And if a number of post-graduate research scholarships were established by Government to encourage life-long devotion to higher studies the whole level of higher education in the country will be raised in a manner satisfactory to all. I think it is absolutely necessary that men whom the Government appoints to chairs in its own colleges should set to their students the example of single-minded devotion to learning and should, moreover, by their tact and sympathy and in-born capacity to influence young men for good, leave on their minds an impression which will endure through life. Only such Englishmen as fulfil these conditions should be brought out, and I would even pay them higher salaries than at present if the latter are found to be insufficient to attract the very best men. They should further be not young men who have just taken their degree, but men of some years' educational standing, who have done good work in their subjects. My Lord, it is difficult to describe in adequate terms the mischief that is done to the best interests of the country and of British rule by the appointment of third- or fourth-rate Englishmen to chairs in Government colleges. These men are unable to command that respect from their students which they think to be due to their position, and then they make up for it by clothing themselves with race pride, which naturally irritates the young men under them. The result often is that young students leave college with a feeling of bitterness against Englishmen, and this feeling they carry with them into later life. On the other hand, the influence which a first class Englishman who knows how to combine sympathy with authority exercises upon his pupils, shapes their thoughts and feelings and aspirations throughout life, and they continue to look up to him for light and guidance even when their immediate connection with him has come to an end.

My Lord, the question of technical instruction has often been discussed during the past few years in this country, and some time ago your Excellency was pleased to ask if those who so often spoke about it had any definite proposals of their own to make. I do not, however, see how such a responsibility can be sought to be imposed upon our shoulders. Government have command of vast resources, and they can procure without difficulty the required expert advice on the subject. If a small Commission of competent Englishmen and Indians, who feel a genuine enthusiasm for technical education, were deputed to those countries where so much is being actually done by their Governments for the technical instruction of their people to study the question on

Except in England, the greater part of the cost of higher education, about three-fourths and in some cases even more, is met everywhere out of the funds of the State.

My Lord, even allowing for the difference in the purchasing power of money in this country and elsewhere, these figures tell a most melancholy tale, and show how hopelessly behind every other civilised nation on the face of the earth we are in the matter of public education. It is sad to think that, after a hundred years of British rule, things with us should be no better than this, and, unless the work is taken up with greater confidence and greater enthusiasm, there is small hope of any real improvement in the situation taking place. In other countries, national education is held to be one of the most solemn duties of the State, and no effort or money is spared to secure for the rising generations the best equipment possible for the business of life. Here, it has so far been a more or less neglected branch of State duty, relegated to a subordinate position in the general scheme of State action. Now that an era of substantial surpluses has set in, Government will not find themselves debarred from taking up the work in right earnest by financial difficulties. In this connection, I respectfully desire to make one suggestion—viz., that henceforth, whenever there is a surplus, it should be appropriated to the work of promoting the educational and industrial interests of the country. At present these surpluses go to reduce the amount of our debt, but, as the Hon'ble Sir Edward Law has pointed out in the Financial Statement, our burden of debt is by no means heavy, and there are valuable assets on the other side to cover the whole of it. Surpluses, after all, mean so much more taken from the people than is necessary for the purposes of the administration, and I think it is most unfair that these surplus revenues should be devoted to the reduction of a debt which is not at all excessive, when questions concerning the deepest welfare of the community and requiring to be taken in hand without any delay are put aside on the ground of want of funds. We have seen that the surpluses during the last five years have amounted to over 22 crores of rupees. If this vast sum had been set apart for the promotion of our educational and industrial interests instead of being needlessly devoted to a reduction of debt, what splendid results the Government would have been able to show in the course of a few years! My Lord, the question of expenditure lies really at the root of the whole educational problem. The country has recently been agitated over the recommendations of the Universities Commission appointed by your Excellency's Government last year. I do not desire to say anything on the present occasion on the subject of University reform, but it strikes me that if Government made its own institutions



ment among the ten men who drew salaries above five hundred. But he was a member of the Civil Service, and it was in this capacity that he was there. In the Geological Survey, 2 out of 14 officers, drawing salaries above Rs. 500, are Indians; in the Botanical Survey, none. In the Foreign Department, out of 122 such officers, only 3 are Indians; under Miscellaneous there are 22 such officers, but not a single Indian is among them. It is only in the Financial Department that there is any appreciable proportion of Indians, namely, 14 out of 59, among those whose salaries are above five hundred a month. Turning to the Departments under Provincial Governments, and taking the Presidency of Bombay, we find that in the Forest Department there are 29 officers whose salaries and allowances come to Rs. 500 and above a month; of these only one is an Indian. In the Salt Department, there are 13 places with salaries above four hundred a month, and not a single one among these is held by an Indian. In the Customs Department of Bombay, there are 13 officers who draw Rs. 300 a month and above, and of these only three are Indians. The Medical Department is, of course, practically a monopoly of Englishmen. In the Police Department, there are 49 officers classed as Superintendents and Assistant Superintendents with salaries from Rs. 200 upwards, and there is not a single Indian among them. Only among 11 Probationary Assistant Superintendents there are 4 Indians. In the Educational Department, there are 25 officers drawing salaries of Rs. 500 and above, and of these only 5 are Indians. In the Public Works Department the proportion of Indians is larger, there being 26 Indians classed as Executive Engineers and Assistant Engineers out of 81 Superior Officers of the Department. Turning next to Bengal, we find that in the Forest Department there are 26 officers whose salaries range between Rs. 200 and Rs. 1,200 a month, and among these only 2 are Indians and they are in the lowest grades. In the Salt Department there are 4 officers with salaries ranging from Rs. 300 to Rs. 1,000. There is no Indian among them. In the Customs Department there are 41 appointments with salaries ranging from Rs. 260 to Rs. 2,250; not a single one among them is held by an Indian. In the Opium Department there are 87 officers with salaries coming down from Rs. 3,000 to so low a point as Rs. 140 a month; only 12 out of these are Indians. Two officers belong to the Stamps and Stationery Department; one draws Rs. 1,100 a month and the other Rs. 500; but neither of them is an Indian. In the Jail Department there are 1 Inspector-General, 12 Superintendents and 4 Deputy Superintendents. There is only one Indian among them and he is in the rank of Deputy Superintendent. In the Educational Department there are 59 officers drawing Rs. 500 and above, and out of these only 10 are Indians. Lastly, in the Public Works Department, 84 officers draw a salary of Rs. 500 a month and above, of whom only 15 are Indians. The other provinces tell the same mourn-

the spot, in a year or two a workable scheme would be forthcoming, and with the large surpluses which the Hon'ble Finance Member is now able to announce year after year, a beginning could almost at once be made, and actual experience would suggest the rest.

### Rapid Indianisation of the Services Urged

My Lord, there is one more question on which I beg leave to offer a few observations. The question of the wider employment of Indians in the higher branches of the Public Service of their own country is one which is intimately bound up, not only with the cause of economic administration, but also with the political elevation of the people of India. There is no other country in the world where young men of ability and education find themselves so completely shut out from all hope of ever participating in the higher responsibilities of office. Everywhere else, the Army and the Navy offer careers to aspiring youths which draw forth from them the best efforts of which they are capable. These services, for us in this country, practically do not exist. The great Civil Service, which is entrusted with the task of general administration, is also very nearly a monopoly for Englishmen. But it is not of these that I propose to speak today. I recognise that, in the present position of India, our admission into these fields of high employment is bound to be very slow, and I can even understand the view that, for the purpose of maintaining British supremacy intact, there must be for many years to come a large preponderance of Englishmen in the ranks of these services. But, my Lord, our exclusion from high office does not end here. In all the Special Departments or Minor Services, as they are called, our position is even worse. In the Judicial and Executive branches of the Public Service, the subordinate ranks at any rate are manned by us. But in such departments as Forests and Customs and Salt and Opium, our exclusion from even lower ranks is practically complete. Thus, in the Survey Department of the Government of India, there are altogether 132 officers, with salaries ranging from 300 to 2,200 rupees a month, and of these only two are Indians and they are in the last grade of Rs. 300. There are, moreover, 45 officers in this Department whose salaries range between Rs. 160 to Rs. 300, and even among these, only ten are Indians. Again, take the Government Telegraph Department. There are 52 appointments in it, the salaries of which are Rs. 500 a month and more, and of these only one is an Indian. In the Indo-British Telegraph Branch, there are 13 officers with salaries above five hundred rupees a month, and among these there is not a single Indian. In the Mint Department, there are six officers with salaries above five hundred, and there too, there is not a single Indian. So too in the Post Office. Last year there was only one Indian in that Depart-

the Indian a smaller salary, if Government in the interests of economic administration preferred the Indian to the Englishman, when both were equally eligible; but to restrict the employment of Indians and at the same time to pay such of them as are employed a lower salary is to inflict upon them a double disadvantage, the reason for which it is not easy to understand. My Lord, the Universities turn out every year a large number of young men who have received a fairly high education. It is a natural aspiration on the part of many of them to seek responsible employment in the service of their own country. If they find a bar in front of them, whichever way they turn, how can they be blamed if they occasionally show signs of discontent? They belong to what may be called the articulate classes of this country, and what they say sinks slowly but steadily into the minds of the mass of the people. We have been promised equality of treatment, both in the Act of 1833 and the Proclamation of 1858. I for one am prepared to allow that such equality of treatment is under existing circumstances possible only within certain limitations; only I am anxious that there should be a constant movement in the right direction, and that, as year succeeds year, the sphere of employment should widen for my countrymen more and more. I ask this in the name of good policy as well as of justice, and I earnestly trust that the spirit of my remarks will not be misconceived.

My Lord, I must apologize to the Council for having spoken at such unconscionable length and strayed over a somewhat wide variety of topics. But this is the only day in the year when the non-official Members of the Council find an opportunity to place before Government their views, such as they may be, in regard to the more important questions connected with the administration of India. No one denies that the difficulties of the position are great, and no one expects radical or far-reaching changes all in a day. What one regrets most, however, in the present system of administration is that it favours so largely a policy of mere drift. The actual work of administration is principally in the hands of members of the Civil Service, who, taken as a body, are able and conscientious men; but none of them individually can command that prestige, which is so essential for inaugurating any large scheme of policy involving a departure from the established order of things. The administrators, on the other hand, who come out direct from England, command, no doubt, the necessary prestige, but their term of office being limited to five years, they have not the opportunity, even if they had the will, to deal in an effective and thorough-going manner with the deeper problems of the administration. The result is that there is an inveterate tendency to keep things merely going, as though every one said to himself: 'This will last my time' What the situation really

ful tale, and I do not wish to trouble the Council with any more details in this matter.

Now, my Lord, I would respectfully ask if such virtual exclusion of the children of the soil from these Special Departments can be justified on any grounds. Reasons of political expediency may be urged for our exclusion from the Army. It might also be urged with some show of reason that the Civil Service of India must continue to be recruited, as at present, by means of a competitive examination held in London, because that Service represents the traditions of British rule to the mass of the people, and its members must, therefore, be imbued with the English spirit and be familiar with English modes of thought: and that in theory at any rate Indians are free to compete for entrance into the service on the same terms as Englishmen. But why this shutting out of our people from the Special Departments also? There is no question of political expediency involved here. If Indians are found to sit on High Court Benches with dignity to themselves and honour to their country, it cannot be contended that they would be found wanting, if they were entrusted with responsible duties in the Opium or Salt or Customs Department. If it be argued that for the technical instruction that is necessary in the Telegraph and some other Departments there are no adequate facilities in the country, the answer to that is that Government should provide those facilities to the people of this country. But the virtual monopoly of these Departments is so jealously guarded that, where competitive examinations for entrance into them exist, those examinations have been surrounded with stringent restrictions such as are unknown in the case of the great Civil Service. Thus while an Indian, by passing the Indian Civil Service Examination, might one day be the Head of a District or of a Division, as some Indians actually are at present, no Indian is allowed to compete for entrance into the Police Department at the competitive examination that is held in London, because, if he passed, he might one day be the head of the Police in a district. Again, only two years ago the rules for admission into the Engineering and Telegraph Departments from Cooper's Hill were altered with the express purpose of preventing more than two Indians in any particular year from entering those services. This alteration of the rules was a grievous wrong done to the people of India, and it has produced a feeling of bitter resentment throughout the country. In the Educational and Public Works Departments, our numbers are slightly more satisfactory than in the other departments, but even here the constitution of a Provincial Service, with a lower status and a lower scale of pay, has caused much dissatisfaction and discontent. My Lord, if all posts were equally open to Indians and Europeans, something may be said in favour of paying

## BUDGET SPEECH, 1904

[ *At a meeting of the Imperial Legislative Council held on Wednesday the 30th March, 1904, Lord Curzon, the Viceroy, presiding, Gokhale spoke as follows on the Financial Statement for 1904-05, presented by Sir Edward Law.* ]

### Huge Surpluses Criticised

Your Excellency, I join heartily in the congratulations which have been offered to my Hon'ble friend the Finance Member on the very interesting Financial Statement which he has presented to the Council this year. I think the Hon'ble Member has been the luckiest Minister that has ever held charge of the Financial portfolio in this country. Large surpluses have been the order of the day during his time. They, indeed, began before he took charge of his office. For, the year that is about to close is the sixth year in succession when a large surplus has been realised. In the opening paragraphs of the new Financial Statement, the surplus for the closing year is shown at £2,711,200, *i. e.*, a little over four crores of rupees. But, as Mr. Baker<sup>1</sup> points out in his note, the true surplus is about 6.72 crores, and of this sum special grants, aggregating 2.65 crores, have been made to Provincial Governments. We thus have the extraordinary phenomenon of a year in which taxes bringing in a revenue of close upon two crores of rupees were remitted, showing, in spite of the remission, a surplus of about 6½ crores. Never before, my Lord, were such huge surpluses realised in the history of Indian finance, and the fact that they have shown themselves year after year for six years in succession proves conclusively that the level of taxation has been fixed much higher than the needs of public expenditure require or the circumstances of the country justify. The surpluses of the last six years have aggregated nearly 29 crores of rupees. If we take the twenty years immediately preceding this period of six years, we find that the total of surpluses in those years was only 17½ crores and the total of deficits 19½ crores — or a net deficit of two crores. A total surplus of 29 crores in six years as against a net deficit of two crores in twenty years — this illustrates with sufficient clearness the startling change that has taken place in the position of the country's finances. What has brought about this change? There have been no sudden accessions to the wealth of the people, nor has a policy of severe retrenchment been adopted, resulting in a reduction of the public

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1. Finance Secretary at the time. Finance Member, Government of India, 1933-04, Lt.-Governor of Bengal, 1903-11.

demands is that a large and comprehensive scheme for the moral and material well-being of the people should be chalked out with patient care and foresight, and then it should be firmly and steadily adhered to, and the progress made examined almost from year to year. My Lord, speaking the other day at the Imperial Assemblage at Delhi, your Lordship was pleased to observe :

If we turn our gaze for a moment to the future, a great development appears with little doubt to lie before this country. There is no Indian problem, be it of population or education or labour or subsistence, which it is not in the power of statesmanship to solve. The solution of many is even now proceeding before our eyes.

*The India of the future will, under Providence, not be an India, of diminishing plenty, of empty prospect, or of justifiable discontent; but one of expanding industry, of awakened faculties, of increasing prosperity, and of more widely distributed comfort and wealth. I have faith in the conscience and purpose of my own country, and I believe in the almost illimitable capacities of this. But under no other conditions can this future be realised than the unchallenged supremacy of the Paramount Power, and under no other controlling authority is this capable of being maintained than that of the British Crown.*

My Lord, the people of India have all along accepted with willing allegiance the condition so justly insisted upon by your Lordship, namely, the unchallenged supremacy of the Paramount Power, and the faith expressed in the purpose and conscience of England is our main ground of hope for the future. Both sides stand to lose a great deal if their harmonious co-operation is ever disturbed; and working in a spirit of mutual understanding and appreciation, they may realise for this country an honoured position among the nations of the earth and for England the glory of having helped India to such a position.

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expenditure. But though the difficulties of that position have passed away, the tradition, once established, still holds the field. And our budget estimates continue year after year to be so framed as to show the smallest possible surplus, when everyone, including, I believe, the Finance Member himself, fully expects that a large surplus will be realised at the end of the year. My Lord, an equilibrium between the ordinary revenue and the ordinary expenditure is of course a necessity in a solvent nation's finance. Under favourable conditions, even extraordinary charges might be met out of revenue. And further, to assure the position, a moderate surplus may be provided for. But anything beyond this is opposed to all the recognised canons of good finance. Nothing, to my mind, can be more indefensible than to raise from the people, year after year—as has been done for the last six years—a larger revenue than is fairly needed for the requirements of the country. As Major Baring<sup>1</sup> (now Lord Cromer) put it in his Financial Statement for 1882-83 :

It is, of course, desirable to estimate for a moderate surplus. But to keep on taxes in order to secure too large a surplus is unjustifiable.

The Hon'ble Member himself expressed a similar view in his Financial Statement of last year. In announcing last year's remission of taxation, he said :

In view of the present satisfactory situation, it is the opinion of the Government of India that it is neither desirable nor good financial policy to continue levying taxation at present rates, yielding such large recurring surpluses as have been realised during the last four years. It is true that our expenditure is necessarily increasing with the increasing development of the country, and some of our present sources of revenue do not show much sign of elasticity. But for the present our receipts are in excess of our needs, and even should it be necessary some years hence to seek the means of increasing revenue we hold that we are not justified in continuing taxation at its present level during an interval which we trust may be prolonged.

My Lord, in a country admittedly so poor as India is, where, again, the people are just emerging from a series of calamitous years, it is essential that the weight of public burdens should be kept as light as possible. The existence of a large surplus is a direct invitation to the Government to increase expenditure, and further it constitutes a temptation to the authorities in England to try and shift a portion of their own burdens to the shoulders of the Indian Government. I cannot help wishing, therefore, that my Hon'ble friend had seen his way, in view of his large surplus, to recommending further relief to the taxpayers of this country. As the recurring surpluses have been made

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1. see foot-note 2 on p. 14.

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It is, of course, desirable to estimate for a moderate surplus. But to keep on taxes in order to secure too large a surplus is unjustifiable.

The Hon'ble Member himself expressed a similar view in his Financial Statement of last year. In announcing last year's remission of taxation, he said :



burdens. On the other hand, the earlier years of the period were marked by two of the severest famines that India has ever known, causing enormous losses to the people in crops and cattle, and necessitating a large outlay on the part of the Government for famine relief; and during the later years there has been a notable increase in public expenditure. How, then, have these large and recurring surpluses been caused? The explanation, my Lord, is not far to seek. For twelve years, from 1885 onwards, the country passed, financially speaking, through a period of exceptional storm and stress, the falling rupee and the falling opium revenue causing the Finance Minister the utmost anxiety and giving him practically no rest. And the level of taxation had to be continuously raised so as to maintain, even in the most adverse circumstances, a budgetary equilibrium between the revenue and the expenditure of the country. The lowest point reached by the rupee was 13*d.* The lowest level reached by the opium-revenue was about five crores of rupees. Since then the rupee has risen to 16*d.* and has firmly established itself there, owing to the currency legislation of Government, and a rise of 3*d.* means a saving of about five crores in the remittances necessary to cover the home charges. There has also been a remarkable recovery in the opium-revenue, the figure for the closing year being actually over 8½ crores. The rise in the rupee and the recovery in the opium-revenue have thus brought about an improvement of about eight crores a year in the financial position of the Government of India. From this we must deduct about two crores, being the amount remitted last year under the salt-tax and the income-tax; and if we assume that the normal increases in the ordinary sources of revenue go to cover the normal increases in expenditure, we get, on the present basis of taxation, an annual surplus of about six crores of rupees. It may, however, be urged that the improvement in the opium-revenue may not last and that it is not prudent to lower the level of taxation on the strength of the present improvement. Even allowing this to be so, we still have a large permanent excess of revenue over expenditure, and this excess fully justifies a prayer on the part of the people for further remission of taxation.

### Further Tax Relief Necessary

The relief granted last year evoked a general feeling of gratitude throughout the country and nobody has forgotten it. Looking, however, to the prosperous condition of the national exchequer, we feel we are entitled to ask for a larger measure of relief. My Lord, in the twelve years of storm and stress to which I have referred, it was perhaps necessary for the Finance Minister to act on the safe, somewhat over-cautious, plan of under-estimating the revenue and over-estimating the

It appears too that the Government of India, in making the present proposal, lay themselves open to the same criticisms as are made upon Governments which have depreciated their currencies. In general, the object of such Governments has been to diminish the amount they have to pay to their creditors. In the present case, the object of the Indian Government appears to be to increase the amount they have to receive from their tax-payers. If the present level of exchange be due to the depreciation of silver, the Government scheme, if it succeeds, may relieve the Indian Government and others, who desire to remit money to England, but this relief will be given at the expense of the Indian taxpayer or with the effect of increasing every debt or fixed payment in India, including debts due by raiyats to moneylenders.

I submit, my Lord, that there should really be no difference of opinion on this point and that the authors of the currency policy should freely admit that, whatever its counterbalancing advantages may be, that policy involves a most heavy indirect addition to the burdens, especially of the agricultural population, when its full effects manifest themselves. Of course we all recognise that a reversal of the currency policy, adopted more than ten years ago, is not now within the pale of practical politics. But that only imposes upon the Government the responsibility to take every opportunity that offers itself to grant such relief, as may be reasonably possible, to those to whom the State undoubtedly owes some reparation.

### Three Taxation Relief Proposals

My Lord, I think that three particular forms of relief may be specially suggested for the consideration of Government on the present occasion. The first is the abolition of the excise duty on cotton goods; the second is a further reduction of eight annas in the salt-tax; and the third is a lowering of the land-revenue demand—especially in the North-West Provinces, Bombay and Madras. Of these the subject of excise duty has been more than once discussed in this Council, and I do not wish to refer to it at any length today. I think there is now no doubt that this duty is really paid by the consumers, which means by the bulk of our poorer classes; and thus, while it hampers the mill industry to a considerable extent, it also constitutes a serious and perfectly unnecessary addition to the burdens of our poorer classes. The Hon'ble Member says :

It is impossible to believe that the average enhanced cost to the individual consumer of cotton cloth on account of the excise exceeds  $3\frac{1}{2}$  annas per annum.

But I submit that even  $3\frac{1}{2}$  annas a year is a serious matter to those whose annual income—taking official calculations alone—does not exceed Rs. 27, as calculated by Sir David Barbour<sup>1</sup> and Lord Cromer, or Rs. 30, as calculated by your Excellency three years ago, and whose normal state is one of abject poverty and, in the case of a considerable

1. see foot-note 3 on p. 8.

possible by the currency legislation of the Government, it is but fair that the class whose interests have been most adversely affected by that legislation—the bulk of our agricultural population—should receive the major portion of whatever relief is granted. My Lord, the fall in general prices as a result of the artificial appreciation of the rupee has, I think, already begun, however its operation may be hidden from view by other causes. The Hon'ble Member himself seems to recognise this, inasmuch as he warns us to be prepared for a decline of prices during the next few years. When the full effects of the currency legislation unfold themselves and the final adjustment of prices to the standard of the new rupee takes place, it will be found that a grievous addition has been made to the burdens of the agricultural producer and that virtually his assessment has been enhanced by nearly fifty per cent. The delay that has occurred, owing to various circumstances, in such adjustment taking place, has enabled some people—including even persons in high authority—to make very astonishing claims for the new rupee. Thus we find that the late Secretary of State for India, at the time of presenting the last Indian Budget to Parliament, expressed himself as follows :—

While the exchange value of the rupee has externally risen and has without difficulty been maintained practically at the rate of 1s. 4d., prices have not been adversely affected. In fact, the prices of commodities of general consumption have risen rather than fallen. By reducing the number of rupees to be remitted to this country to meet gold obligations, surplus after surplus has been secured during the past four years. And the present remission of taxation is mainly due to the success of our present currency policy.

I do not wish to trouble the Council with any lengthy discussion on this point, but all I would like to ask is, if the Secretary of State for India really *imagines* that such an impossible feat as that of raising the exchange value of the rupee without involving an indirect increase in the taxation of the country can be performed, what is there to prevent the Government of India from raising the rupee still higher—say, to 1s. 6d. or 1s. 9d. or even 2s. ? The surpluses then would be even larger than now and as, according to Lord George Hamilton's<sup>1</sup> argument, no harm is done to anybody in India by such artificial appreciation, there is no reason whatever why such a wonderfully easy and simple method of increasing the resources at the disposal of the Government should not be adopted. I think, however, that the Lords Commissioners of the Treasury showed a better appreciation of the true effects of any artificial appreciation of the rupee than the late Secretary of State for India, when, in a letter, dated 24th November 1879, they wrote :—

1. Secretary of State for India, 1895-1903.

reserve, which may be used without difficulty in times of sudden emergency. A further reduction of the salt duty is, therefore, from every point of view, a most desirable form of relief. In this connection, there is one matter which I would respectfully urge upon the attention of Government. The manufacture of salt in India is strictly under Government control, and practically a Government monopoly. And the monopoly is enforced under restrictions and in a manner which have the effect of transferring about a third of the industry to the foreign manufacturer. Numerous small salt-works which formerly existed on the coast have been suppressed and the manufacture has been concentrated at a few places with a view to bringing it under effective control. The result is restricted production. We have an extensive sea-board and salt-mines too, and can manufacture every pound of salt we need. And yet, under the existing fiscal system, about a third of our supply comes from foreign countries. The following figures, taken from the Material and Moral Progress Report for 1901-02, are instructive :

Imports of salt from				1891-92	1901-02
				Tons	Tons
The United Kingdom	...	...	...	222,300	259,200
Germany	...	...	...	103,400	76,700
Red Sea and Persian Gulf Ports	...	...	...	45,700	147,700
Other places	...	...	...	2,600	32,600
Total				374,000	516,200

The imports have thus increased 38 per cent. in ten years ! I submit that in respect of such a prime necessary of life as salt — especially when we have plenty of it within the four corners of this country — we ought not to be forced to depend on foreign supplies to a steadily increasing extent !

The third measure of relief which I would respectfully urge upon the attention of Government is a lowering of the land-revenue demand, especially in the North-West Provinces, Bombay and Madras. The most noticeable feature of this branch of revenue is its large and almost continuous increase. In 1890-91, it stood at 24.04 crores. Its rise since then may be seen from the following figures :

1890-91	...	...	24.04 crores
1893-94	...	...	25.58 "
1895-96	...	...	26.20 "
1898-99	...	...	27.46 "
1901-02	...	...	27.432 "
1903-04 ( Revised )	...	...	28.89 "
1904-05 ( Budget )	...	...	29.38 "

proportion, even of chronic destitution. I think, my Lord, that the arguments in favour of the abolition of this duty are unanswerable and that the moral effect of its maintenance is even more disastrous than the financial or economic one. The Hon'ble Member has, however, urged a strange plea in his Financial Statement to justify the continued levy of so objectionable a duty, and I confess it has surprised me not a little. The Hon'ble Member says :

Moreover, it must be remembered that a certain amount of revenue is a necessity to provide for the administration of the country and the cotton excise duties now return upwards of 20½ lakhs, having increased from Rs. 11,62,947 in 1900-01. It is very easy to object to any and every class of taxation, but those who make objections should, I think, offer suggestions as to how revenue could be maintained if their objections were to be admitted.

My Lord, if my Hon'ble friend really believes that the excise duty is maintained because it brings in a revenue which the Government cannot afford to give up, he is probably the only man in India or in England who thinks so. Moreover, can the Hon'ble Member be serious when he advances such an argument with a surplus of nearly 6½ crores in hand, reduced to four crores by special grants made to Provincial Governments? Why, my Lord, instead of the Government being unable to sacrifice 20 lakhs a year, there seems to be such a plethora of money in the country's exchequer that the Government do not know what to do with it! I could have understood Sir Auckland Colvin<sup>1</sup> or Sir David Barbour or Sir James Westland<sup>2</sup> using the language that my Hon'ble friend has used. But he, the fortunate realiser of surplus after surplus — such as were never before dreamt of in the history of Indian finance — surely he must not speak as though he knew not which way to turn to make the two ends meet!

My second suggestion for granting further relief to the poorer classes of the country is that another eight annas should be taken off the salt duty. This duty was reduced by eight annas last year, and the measure of relief was received with deep gratitude throughout the country. The reduction might, however, be carried still further without any inconvenience. The salt-duty question in India is essentially a poor man's question : for it is the poorer many — and not the richer few — who eat more salt when it is cheap and less when it is dear. The soundest and best policy in the matter — even financially — would, therefore, seem to be to raise an expanding revenue on an expanding consumption under a diminishing scale of duties. Again, every reduction effected in this duty gives the Government a valuable financial

1. Finance Member, Government of India, 1883-87; Lt.-Governor, North-West Province and Oudh, 1887-92.

2. Finance Member, Government of India, 1893-99; Member, Council of India, 1899.

cially in the Provinces referred to above — are large, and weigh with undue pressure on the land. And I submit that the question of granting relief to the hard-pressed cultivators by the lowering of the assessment is one which, in the present prosperous condition of the country's exchequer, deserves favourable consideration at the hands of Government. While on this subject, I beg to acknowledge with pleasure and gratitude the liberal action of the Bombay Government in granting considerable reductions of assessment in the Gujerat districts. These reductions amount to 5.30 lakhs on an aggregate assessment of 85 lakhs — or over 6 per cent. Strangely enough, however, the Government have declined to concede any such relief to the Dekkhan raiyats, and yet the case of the Dekkhan is the most urgent. The Dekkhan is an arid upland with a poor soil and a precarious rainfall, and yet pays an aggregate assessment of 120 lakhs on a cropped acreage of 11 millions of acres. The MacDonnell Commission<sup>1</sup> have expressed the opinion that it is not only a full assessment, but weighs harder on the Dekkhan peasantry than elsewhere on account of scanty crop-yield, and is one of the causes of agricultural indebtedness. Besides, during the calamitous decade ending with 1901, this tract suffered as no other did throughout the country. The population declined from 62.1 lakhs to 59.4 lakhs; the cropped area fell off, and the crop-losses amounted to over 50 crores of rupees. The cattle loss was over 42 per cent. and there was an alarming increase of agricultural debts. Altogether there was in these districts a degree of agricultural deterioration and economic exhaustion such as had not been witnessed in any part of the country during the last century. And yet so far the only reductions which the Bombay Government have announced amount to a trifle over Rs. 3,000!

### Increased Alcohol Consumption Deplored

My Lord, in explaining an increase of half a million sterling under excise-revenue in the revised estimates for the closing year, the Hon'ble Member says:— 'Increase of revenue is undoubtedly in great part due to improved administration and greater attention to preventive measures but it is also due, and probably to a very large extent, to improvement in the condition of the people,' which is the Hon'ble Member's paraphrase of the expression 'increased consumption.' And he proceeds to observe:—

Satisfactory as is from one point of view a growth of revenue, we could not regard with satisfaction any increase which might possibly be attributed to increased consumption of alcohol in excess of the legitimate requirements of those

1. see foot-note 1 on p. 14.

An increase of over 22 per cent. in fourteen years! On the other hand, the figures of cropped acreage are:

1890-91	...	...	194.41	millions of acres
1893-94	...	...	197.38	" "
1895-96	...	...	188.92	" "
1898-99	...	...	196.48	" "
1900-01	...	...	198.31	" "

Or an increase of just 2 per cent. in eleven years! Coming to the three Provinces that I have specially mentioned, we have the following interesting figures:

#### *North-Western Provinces*

Year	Ordinary land-revenue	Cropped area
1886-87	... 580.7 lakhs.	33.92 million acres.
1902-03	... 636 "	34.61 " "

Or an increase of nearly 10 per cent. in revenue on a practically stationary cropped acreage.

#### *Madras*

Year	Land revenue	Cropped area
1886-87	... 460.5 lakhs.	23.01 million acres.
1902-03	... 582.5 "	24.50 " "

Or an increase of nearly 25 per cent. in revenue with an increase of only 6½ per cent. in the cropped acreage.

#### *Bombay*

Year	Land revenue	Cropped area
1886-87	... 270 lakhs.	24.2 million acres.
1894-95	... 289 "	24.5 "
1900-01	... 298.2 "	21 "

Or an increase of 10 per cent. in revenue with hardly any increase in the cropped area, which shows some fluctuations owing to the prevalence of famine during the closing years of the last century.

### **Agricultural Deterioration and Economic Exhaustion**

My Lord, agriculture is the only surviving economic stand-by of the mass of the people, and yet no industry in the country is in deeper distress. The soil, under a system of generally unmanured cultivation, is undergoing steady exhaustion. The yield of crop per acre is falling, being now a little more than 9 or 10 bushels as against 20 to 35 bushels in Western countries with far less favourable agricultural conditions. And the raiyat in most parts is a poor, struggling cultivator, with his resources all but exhausted, and himself more or less involved in debt. In these circumstances, the increases of land-revenue—espe-

formulated by the Government of India in 1890 to the effect that before any new site is fixed for the establishment of a shop, reference shall be made to local opinion and that any reasonable objection shall be entertained. The instruction here described as authoritatively laid down is as it should be ; but it is open to question how far it is acted on in practice. Instances can be cited of shops, in reference to the location of which no deference whatever has been shown to local opinion or sentiment. Further, the existing arrangements of the excise administration leave much to be desired. The 'minimum guarantee' in Bombay, the general auctioning of licences to keep stills in out-still areas and even the central distillery system, with its varying arrangements for the manufacture of spirits — these are some of the features of the existing administration which require close and careful investigation. The whole subject calls for a fresh examination and it behoves Government to institute a searching inquiry. Education would be an effective remedy, but its operation is bound to be slow. I think legislative effect should be given to the direction as to local opinion.

### Misleading Import-Export Statistics

My Lord, among the important topics of a general character, on which this year's Financial Statement offers some interesting observations, is the subject of India's balance of trade. The Hon'ble Member states at the outset that he has been much surprised to learn that 'there are considerable misapprehensions abroad on the question of the balance of trade'. And after examining certain figures for the three years from 1900-01 to 1902-03, the Hon'ble Member records his conclusion that the figures 'entirely dispose of the erroneous assumption that India is paying far more than she receives under the three heads of imported goods, imported investment securities, and

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1. Under this system, "the contractor had to furnish a 'minimum guarantee': that is, he undertook that Government should not receive less than a fixed sum each year on account of still head duty on liquor issued from the distillery, and if the duty fell short of the guarantee he had to make up the balance, but received no refund for duty paid in excess of the guaranteed amount. The contractor had not to pay anything for the privilege of vend. The minimum guarantee was fixed by Government on the basis of the amount of duty represented by annual sales in the monopoly area for a series of past years, and on the Commissioner's estimate of what the actual demand for licit liquor at the current rates or at the rates if enhanced was likely to be during the first year of the contract. In fixing the minimum guarantee care was taken that the farmers were not overburdened, and the guarantee was fixed rather below that above the estimate of the normal consumption of the district. (An extract from "A Note on Excise Policy and Practice" in the Bombay Presidency, by Mr. W. C. Shepherd, F.C.S., Commissioner of Customs, Salt and Excise. (1922).



classes among the population to whom, from long habit and custom, alcohol in moderation is a virtual necessity. There is no desire on the part of the Government of India to increase revenue by encouraging indulgence in alcohol. It is a matter in which we feel our full responsibility, which undoubtedly requires constant, careful watching, and to which at the present moment we are devoting special attention in the interests of temperance and morality.

This declaration of the Hon'ble Member will be welcomed with sincere satisfaction throughout the country. The revenue under Excise shows an alarming growth during the last twenty years, having risen from 3.63 crores in 1882-83 to 6.64 crores in 1902-03, an increase of 82 per cent, or taking the year 1903-04 to 7.4 crores, i. e., an increase of over 100 per cent. in 20 years. The increase in population during the period has been only 15 per cent. Part of the increase in the revenue has no doubt been due to enhancements of excise-duties and to stricter preventive measures. But a large part has been owing, as admitted by the Finance Member himself, to increased consumption. The import of liquors too has increased during the time by over 35 per cent., having risen from 4.12 million gallons to 5.57 millions. All things considered, there is the clearest evidence to show that the curse of drink is on the increase, especially among the lower classes and the wild aboriginal tribes, spreading ruin and misery among them. As appears from the Material and Moral Progress Report for 1901-02, in Bengal the consumption of country spirits in distillery areas shows an expansion of 55 per cent., having advanced from 3.9 lakhs of gallons to over 6.1 lakhs during the decade 1891-92 to 1901-02. So, too, in the United Provinces of Agra and Oudh, the reported consumption of country spirits was 24 per cent. higher. No accurate statistics are forthcoming on this point, but the fact of an expanding consumption is undoubted, and it behoves the authorities anxiously to consider whether more effective measures could not be devised than at present with a view to checking the spread of consumption of these intoxicants among the poorer classes. It is true that some reduction has been effected in the number of shops, but in this matter as much depends upon the sites of these shops as on their number — perhaps more. Were shops to be set down opposite schools, colleges, places of worship, hospitals, etc., as the Hon'ble Mr. Woodroffe<sup>1</sup> said the other day in the Bengal Legislative Council they were in Calcutta itself, it would be of little avail to reduce merely their total number. Local option is the only remedy for an evil such as this. In the Material and Moral Progress Report to which I have already referred, we are told that definite orders have been passed in accordance with the principle

1. Advocate-General of Bengal and member, Bengal Legislative Council, 1899-1904.

exchange for our exports. We thus have during the three years an excess of 64 millions and not 48 millions of our exports over our real imports. As against this we have to set, not the whole of the Secretary of State's budgeted drawings, which have been stated to be 49 millions sterling, but these drawings *minus* the value of the stores included in them, which was over three millions. We thus see that while the Secretary of State's drawings for his own purposes would have been satisfied by an excess of about 46 millions sterling of our exports over imports, the actual excess was about 64 millions sterling or about 18 millions more in three years. I think, therefore, that we may well assume that this sum of 18 millions represents the amount which India paid more than she received during the three years under the three heads of 'imported goods, imported investment securities, and payment abroad of budgeted Government sterling charges.' Moreover, this figure does not take into account the capital imported into India by private individuals or Companies for minor industrial undertakings.

### Great Increase in Military Expenditure

My Lord, a most striking feature of this year's budget is the great increase that has taken place in the military expenditure of the country. The Finance Member himself is almost outspoken in the expression of his regret on the subject. The Budget Estimate for 1904-05 exceeds all previous record—the charge budgeted for coming to no less than 28.6 crores. The following figures show how steady and continuous has been the rise in our military expenditure during the last twenty years:—

Year.	Military expenditure in crores	
1834-85	...	16.96
1837-88	...	20.41
1890-91	...	20.69
1894-95	...	21.09
1902-03	...	25.91
1903-04 (Revised)	...	26.78
1904-05 (Budget)	...	28.66

or an increase of nearly 70 per cent. in twenty years as against an increase of about 44 per cent.—from 51 crores to 73 crores—in the receipts under the principal heads of revenue. The Hon'ble Sir Edmund Elles<sup>1</sup> gives in his statement what he will forgive me for calling a curious table, compiled to show that, whatever may be the actual figure of military expenditure, it is not only not rising relatively to the total revenue of the country, but that as a matter of fact there is a notable decline in the percentage of revenue spent on the army. The Hon'ble Member takes two periods of four years each, one from 1896-97 to 1899-

1. Military Member, Government of India, 1901-05; Adjutant-General in India, 1900-01

payment abroad of budgeted Government sterling charge'. His argument is briefly this: During the three years under consideration, the excess value of exports over imports was £47·58 millions sterling. From this total must be deducted £1·45 millions being the value of rupee paper transferred to India during the period; while we must add to it a sum of £2·14 millions, representing the value of stores, arms, munitions and animals, supplied to the Home Government in connection with their requirements in South Africa and China. This gives us a net excess of exports in three years of £48·27 millions. Now, says the Hon'ble Member, this is practically the amount of the Secretary of State's drawings during the three years. And thus the excess of the country's exports over its imports is no more than the amount of the Home charges, which means that the Home charges really represent *all* that India pays annually over and above what she has to pay in return for her imports. My Lord, I confess I was startled to read this paragraph, and I asked myself: 'If the Hon'ble Member is right, what becomes of the profits which English merchants annually earn in India; what becomes of the freight the English Companies earn; what becomes of the savings of English lawyers, English doctors, English Civil and Military servants of the Crown? Does nothing really go out of India for all these?' And then I examined the Hon'ble Member's figures somewhat closely, when I found that he had left out of account two most important items. The excess of exports over imports that he gives is the excess of all our exports over all our imports, including merchandise and treasure and stores, both Government and private. The imports thus include (1) the capital raised annually in England and spent on Indian railways and irrigation works, for which there is no corresponding export, and (2) the Government stores for which provision is made in the Secretary of State's disbursements for current purposes; these stores are worth about 1½ to 2 crores a year, and they represent a value received by India for a corresponding portion of the Home charges, and they are thus different from the rest of the Home charges. Our real imports, therefore, *i. e.*, those which we receive in exchange for our exports, are less than our nominal or total imports by the amount of the capital which is raised by the State and by Companies in England every year and spent on Indian railways and irrigation works. And, secondly, the net loss to the country under Home charges is represented, not by the whole of the Secretary of State's drawings, but by a sum which is equal to those drawings *minus* the value of the stores for which provision is made in his current disbursements. The amount raised in England during the three years under consideration and spent on public works in India was, I believe, about 16 millions sterling. This figure must, therefore, be deducted from our total imports to get at the imports which we received in

altogether shut out from the privilege of citizen soldiery — there is no prospect that the heavy sacrifices demanded at present of the country will ever grow less heavy. My Lord, His Excellency the Commander-in-Chief addressed the other day a powerful appeal to Englishmen in India to come forward and enrol themselves as volunteers from a sense of public duty. May not the Government consider the desirability of permitting — aye, inviting — carefully selected classes from among the children of the soil to share in the responsibilities of national defence? Both sentimental and financial considerations demand the adoption of a policy of this kind; and unless this is done, the growing military expenditure of the country will in course of time absorb all available resources and cast its blighting shadow over the whole field of Indian administration.

My Lord, these were some of the observations that suggested themselves to me when I read the Financial Statement which my Hon'ble friend has presented to the Council this year. I have said nothing today about some of the more important branches of civil expenditure, because we seem to be on the eve of great changes which will affect and practically reconstruct the entire basis of the civil expenditure of the country. An administration, in many respects the most strenuous, as it undoubtedly has been the most eventful, of any that the country has known for many years past has formulated these changes after a prolonged inquiry, and the country is waiting to see how they work in practice when they are introduced. The advance that has been made this year in the matter of Provincial finance, the undertaking of a comprehensive programme of irrigation works that is expected as a result of the Irrigation Commission's<sup>1</sup> labours, an improved Police Service, increased expenditure on education in all its branches, the institution of State scholarships for industrial education abroad, the establishment of an Agricultural College at Pusa, the encouragement of co-operative credit societies — these and other measures will require a large outlay of public money, if they are not to disappoint the expectations that have been formed of them in the public mind. It will be some time before we are in a position to watch the actual operation of these measures and to see how far the increased expenditure necessitated by them has been justified. Meanwhile, my own frame of mind in regard to them is, I confess, one of great hope. I feel that, if they are carried out in the spirit in which they ought to be carried out, they will prove a source of no small benefit to the country. If this hope is realised, the increase in public expenditure which these measures must involve, will not only not be grudged, but will be regarded with feelings of sincere satisfaction and gratitude all over the country.

1. The Commission was appointed "to report on the Irrigation of India as a protection against famine", with Col. Sir Colin Scott-Moncrieff as President (1901-03).

1900 and the other from 1900-01 to 1903-04, and he seeks to prove that while during the former period the net military expenditure of the country was 24·7 per cent. of the total revenue, during the latter period it has been only 21 per cent. The Hon'ble Member's method of instituting comparisons is, however, open to most serious objection. His first period is a period of famines and frontier wars, so that while the revenue during that time is not at its normal level, the military expenditure is at an abnormally high level, and thus he gets a higher percentage for purposes of his comparison. The second period, on the other hand, is a period during which the revenue is above the normal owing to specially good seasons, and the military expenditure is below the normal owing to a part of the troops being engaged in South Africa and China. Now this is bad enough, but worse than this is the fact that while he takes on the one hand only net military expenditure, he takes on the other the gross revenue of the country. Now, as we all know, the figures of gross revenue are altogether useless for purposes of a fair comparison; for they include large receipts under commercial services—i. e., railways, irrigation works, post and telegraph—which are balanced by corresponding entries on the expenditure side and which, therefore, only go to swell the total figures of gross revenue without making any real addition to the resources available for administrative purposes. Moreover, railway receipts have been of late years going up by leaps and bounds. Of course the entries under railways on the other side have also been correspondingly increasing, but if you take into consideration only the figures of gross revenue, you get an altogether erroneous idea of the growth of the real revenue of the country. For purposes of a useful comparison, therefore, the only proper method is to take the figures either of net revenue or of the total receipts under what are known as the principal heads of revenue. Taking the latter set of figures, which are more favourable to the Hon'ble Member's point of view than the former, we find that the net military expenditure is about 36 per cent. of the revenue under the principal heads, and that this percentage has practically continued steady at that figure except during the years when the Indian exchequer secured some relief by lending a portion of the Indian troops for service in South Africa and China. The question of these percentages, however, is, comparatively speaking, of less importance than the question whether there is ever to be a limit to the growth of these military burdens. My Lord, the question of military expenditure is really one of policy, and in the shaping of that policy the people of this country have no voice. But may we not ask, as I asked in my budget speech of last year, that Government should adopt a policy of a little more trust in this matter? For, while things continue as they are—with our Army maintained on a war-footing in times of peace, with no national militia of any kind and the people of the country

ment. Two years ago, when the duty was lowered from Rs. 2-8 to Rs. 2 a maund, fears were expressed in certain quarters that the benefit of the reduction might not, after all, reach the poorer classes, being intercepted on the way by small traders. Many of us thought at the time that the fears were quite groundless, and I am glad to see that they have been most effectively disposed of by the remarkable increase in consumption that has since taken place. That there is still a very large margin for increased consumption is evidenced by the fact that in Burma, where the duty is only one rupee a maund, the average consumption of salt is 17 lbs. per head, as against about 10 lbs. in India proper, where the duty has been Rs. 2 a maund for the last two years and Rs. 2-8 before that. Even with the present reduction, the impost amounts to about 1,600 per cent. of the cost price, as it takes only about an anna and a half to manufacture a maund of salt, and it is clear that this is a very heavy tax on a prime necessary of life, which, as Professor Fawcett<sup>1</sup> once said, should really be 'as free as the air we breathe and the water we drink.' And I earnestly trust that the Government will take another opportunity to carry this relief still further, especially as a low salt duty means a valuable financial reserve at the disposal of Government, and there is now no doubt that the relief accorded directly benefits the poorest classes of the community.

The abolition of famine cesses will be hailed with satisfaction by the people of the provinces concerned, and it redresses one of the anomalies of the Famine Insurance Grant. The raising of the weight which the Post Office carries for half an anna from one-half to three-fourths of a tola will be widely appreciated, and the definite declaration of policy, with which this concession is accompanied, *viz.*, that it is not the desire of Government to treat the Post Office as a source of revenue, practically ensures that all excess of receipts over expenditure will in future be devoted to the further improvement or cheapening of postal facilities. Now that the letter-weight carried for half an anna is exactly half of what is carried for one anna, I hope a half anna stamp will be made the unit for weights exceeding  $1\frac{1}{2}$  tolas, instead of the one-anna stamp. The allotment of a sum of 50 lakhs to Police reform to improve and strengthen the lower grades of the service is a welcome measure of far-reaching importance and is unaffected by whatever differences of opinion there might exist about the recruitment of the higher grades. The addition of a rupee to a constable's salary may not make in individual cases any difference as regards his honesty or efficiency, but taken in the mass, the increment is bound to be reflected in an improved standard of work, and in any case the measure is a long-deferred beginning of an absolutely neces-

1. See foot-note on p. 2.

## BUDGET SPEECH, 1905

[ *At a meeting of the Imperial Legislative Council, held on Wednesday the 29th March 1905, Lord Curzon, the Viceroy, presiding, Gokhale made the following speech on the Financial Statement for 1905-06 presented by Mr. E. N. Baker.* ]

### Appreciation of Proper Use of Surplus

My Lord, it is with sincere pleasure that I offer my warm congratulations to the Hon'ble Mr. Baker on the Financial Statement, which he has laid before the Council. The Statement is remarkable alike for its grasp of principle and its mastery of detail, and for lucidity of exposition it will take rank with the best statements that have ever been presented to this Council. Indian finance is at present passing through a new phase, and judging from the statement before us, we may well anticipate that the Hon'ble Member's tenure of office as Finance Minister will be an eventful one. My Lord, there is but one feeling throughout the country—and it is a feeling of deep and unalloyed satisfaction—as to the manner in which the Government of India have decided to apply about 3½ crores of the excess of their revenue over expenditure to measures of remission of taxation, administrative improvement, and the general well-being of the people. I heartily welcome the further reduction of the salt duty by eight annas a maund. The duty now stands, as the Hon'ble Member rightly claims, at a lower rate than it has ever done during the last quarter of a century. In urging this measure of relief last year, I had ventured to observe :

The salt-duty was reduced by eight annas last year, and the measure of relief, was received with deep gratitude throughout the country. The reduction might, however, be carried still further without any inconvenience. The salt-duty question in India is essentially a poor man's question ; for it is the poorer many — and not the richer few — who eat more salt when it is cheap, and less, when it is dear. The soundest policy in the matter — even financially — would, therefore, seem to be to raise an expanding revenue on an expanding consumption under a diminishing scale of duties.

The only reply, which was then vouchsafed to my appeal by our late Finance Minister, Sir Edward Law, was the remark that I was 'one of the multitude who stand at the door of the Treasury and always cry, "give, give" ! I rejoice, therefore, to find that in less than a year, the Government have seen their way to effect this reduction, and I am confident that a rapid increase in consumption will follow, wiping out, before long, the loss that has been caused to the Exchequer and demonstrating at the same time the wisdom of the course adopted by Govern-

assist in a liberal spirit the District and Local Boards and the assistance will evoke the sincere gratitude of these Boards. Municipal Bodies have for the present been left out in the cold, but the principle of admitting Local Bodies to a share in the financial prosperity of Government having once been accepted, I venture to think that assistance, similar to what has now been offered to District and Local Boards, cannot reasonably be withheld from Municipalities, whose difficulties are not less serious and whose duties are even more onerous than those of the Boards.

### *Financial System Unsound and Indefensible*

My Lord, the revised estimates for the current year show a surplus of 5½ crores. This surplus has been obtained after making a special grant of one crore to the Governments of Bombay and the Punjab. So the real surplus for 1904-05 must be set down at 6½ crores. This is the seventh successive year, in which such a large surplus has been realised by the Government of India, and though advantage has been taken of it to remit taxation to the extent of about two crores of rupees and to apply about 1½ crores to most excellent objects, the whole financial position is still so extraordinary that it calls for a brief review. The surpluses realised by the Government of India during the last seven years amount in all to about 32½ crores of rupees, and they don't include the special grants made to the various Provincial Governments and Administrations from time to time. In addition to this, a sum of about 12½ crores has been earned by the Government of India during the last five years as profit on the coinage of rupees, owing to the difference between the bullion value of silver and the token value of the rupee, and it has been set apart to form a Gold Reserve Fund. This gives us a clear excess of 45 crores of revenue over expenditure during the last seven years. Moreover, during this period, extraordinary charges, amounting to about 16 crores, for famine relief and for military purposes, have been met out of revenue. Further, about 2 crores have been spent out of revenue on Railways and Irrigation Works under Famine Insurance, under which head also a sum of 3½ crores has been devoted to the reduction or avoidance of debt. Even if we leave out of account the extraordinary charges met out of revenue and the sum spent on Railways and Irrigation under Famine Insurance, as money already spent, we still have a total of about 49 crores of rupees to represent the excess amount taken by Government from the people in seven years over and above the requirements of the administration. Twelve and a half crores out of this has been set aside, as has been already mentioned, to form a Gold Reserve Fund, and the remaining, about 36½ crores, has been devoted to the repayment or avoidance of debt, as may be seen from the fact that during this period Government have discharged £5,000,000 net of temporary debt, and



sary reform. The grant of 35 lakhs to Provincial Governments for additional expenditure on Primary Education is also an important step in the right direction, the field of mass education being one in which what has been already done is but little, as has been admitted by the Government of India in their Resolution of last year on the subject, compared with what remains to be done. The grant of 20 lakhs for agricultural research, experiment and instruction, and the announcement that the ultimate aim of Government in this matter is 'the establishment of an experimental farm in each large tract of the country, of which the agricultural conditions are approximately homogeneous, to be supplemented by numerous demonstration farms, the creation of an agricultural college teaching up to a three years' course in each of the large provinces and the provision of an expert staff in connection with these colleges for purposes of research as well as education,' indicate that the Government at last have made up their mind to recognise in a practical manner the supreme importance of scientific agriculture in this land. Twenty lakhs a year for such a purpose for the whole of India is of course totally inadequate, but it is a good beginning, and the Government have undertaken to find steadily increasing funds till the whole programme is properly carried out. The last measure, to which a part of the surplus is proposed to be devoted, is a grant-in-aid of the funds of District and Local Boards throughout India, amounting in all to about 56½ lakhs a year and equal approximately to one-fourth of the income of these Boards. This, to my mind, is one of the most interesting features of this year's Budget, and it is a feature on which I offer my heartiest congratulations to the Hon'ble Member. It means a frank acknowledgment of the claim of Local Bodies to participate in the financial prosperity of the Government of India, and a recognition of the fact that without the aid of Government the resources of these bodies are utterly unequal to the proper discharge of the various duties laid on them. The last National Congress, which met in Bombay, had urged such assistance to Municipal and Local Boards, and I rejoice to find that Government have responded, at least partially, to the appeal. Successive visitations of famine and plague have in many places so far crippled the finances of these Boards that they have had the greatest difficulty in averting a complete breakdown, and it was a serious reproach to existing arrangements that, while there was such a plethora of money in the Government of India's Treasury, and even Provincial Governments were not able to exhaust all the grants made to them, these Local Bodies, whose work concerns the health and comfort of the public far more intimately than that of either the Supreme or the Provincial Governments, should continue year after year in a state almost verging on bankruptcy and should be unable to discharge satisfactorily even their most elementary duties ! Government have now come forward to

I have taken 1901-02 as the starting year for the comparison, because 1900-01 was a famine year, and before that, Government could not have felt sure of a large annual surplus. It will be seen that our expenditure has grown in four years by more than 7 millions sterling or about 10½ crores, and of this, the Army Services have absorbed quite two-thirds, i. e. 4½ millions or over 7 crores. Again, while the revenue under the principal heads has risen during this period from £46.60 millions to £50.38 millions or slightly over 8 per cent., the charges of collecting it have grown from £6.19 millions to £7.17 millions or by about 16 per cent.

Thus after allowing the expenditure to increase in all directions on an unprecedented scale, after making large special grants to Provincial Governments from time to time, after spending nearly 16 crores out of current revenues for non-recurring charges, and after laying by about 12½ crores for purposes of the Gold Reserve Fund, the Government have still been able to devote a sum of about 36½ crores in seven years, or a little over 5 crores a year on an average, to the reduction or avoidance of debt ! I submit, my Lord, that such a system of finance is unsound in theory and indefensible in practice, for it involves grievous injustice to the present generation. I can understand the Government always insisting on a moderate working surplus in framing their Budget Estimates and providing for the year's recurring charges out of the year's revenues. This was what they have uniformly done—even during the worst days of the exchange difficulty. But having done that, I venture to think they have no right to maintain taxation at a higher level than is necessary or to devote the resulting surpluses to the reduction of debt, as they have been doing. In all countries, it is an accepted canon of finance that the weight of public burdens should be kept as light as possible, and that the scheme of taxation should be so fixed and adjusted as to meet, but no more than meet, public requirements under normal conditions. If this is so in rich European countries, it should be much more so in India, where the revenue is raised from a poor, helpless population, and the larger part is contributed by a broken and exhausted peasantry, and where, owing to the special circumstances of the case, the character of public expenditure is such that a great portion of it has to be spent on objects unconnected or but remotely connected with the moral and material advancement of the people. Moreover, the ordinary debt of India—as distinct from the public works debt, which is fully covered by valuable assets—is not large, and there is no justification for being in such a hurry to reduce it. The utmost that the Government might do in the matter is to provide for a small sinking fund, say, about a million sterling a year; but beyond this it is indefensible to go especially as in the absence of a reduction of taxation,

have spent 48½ millions on Railways and Irrigation Works though they have borrowed only 21½ millions the difference being found from Cash Balances of which the surpluses form a part. Moreover as an inevitable result of such plethora of money at the disposal of Government public expenditure has increased in all directions—and notably under Army Services—on an unprecedented scale. The following figures for the last four years show at a glance how rapid has been the growth of public burdens and what is the position that has now been reached. In these figures I have taken the revenue under Post Telegraphs Railways and Irrigation net. This I submit is the only way of presenting a correct idea of our revenue and expenditure as the receipts under these heads are for services rendered and are balanced on the other side by corresponding expenses which virtually absorb the receipts. Unless therefore we take these figures net we get an altogether erroneous idea of our real revenue and expenditure. I have also taken the revenue under Mint net because for the present at all events the profit earned has to go to the Gold Reserve Fund and is therefore not available for general purposes.

*Revenue and Expenditure for four years 1901-02 1904-05*

(in millions sterling)

	1901-02	1902-03	1903-04	1904-05 (Revised)
Revenue	51.91	52.27	55.27	57.59
Expenditure	46.96	49.21	52.28	54.11
Surplus	4.95	3.06	2.99	3.48

Coming to particular heads of expenditure we find that the charge under Interest has actually gone down owing to a reduction of the ordinary debt. And the expenditure under Miscellaneous Civil charges as also under Famine Relief and Insurance has remained virtually stationary. Under the remaining heads there has been a large and steady increase as may be seen from the following figures—

(In millions sterling)

	1901-02	1902-03	1903-04	1904-05 (Revised)	Increase
Collection Charges under Principal Heads of Revenue	6.19	6.35	7.16	7.12	nearly 1 million.
Salaries and expenses of Civil Departments	11.15	11.69	11.93	12.35	12 "
Civil Works	3.67	4.15	4.60	4.82	1.15 "
Army Services including Military Works & Special Defence Works	16.73	18.44	18.93	21.45	4.72 "

to be met out of loan funds. It is most unjust to the tax-payers to provide for it out of current revenues by yearly allotments and thus keep up the high level of taxation for an indefinite period. In other countries such charges are, as a rule, met out of borrowed money. In England, just at this moment, there are the Naval and Military Works Bills before the House of Commons, under which it is proposed to carry out these works out of loans. And in defending such action, the Chancellor of the Exchequer pointed out the other day—on the 1st instant—that, 'if the objects for which those measures provided were paid out of the estimates, there would be a disturbance of our system of taxation'. My Lord, it is true that the people of India have no constitutional power, as the people in England have, to control or in other ways influence the administration of their finances by Government. But for that very reason, a solemn moral responsibility rests on the Government here not to ignore considerations that are accepted as conclusive in England. The present decision of Government, so unjust to the tax-payers, leaves room for legitimate complaint, especially when it is remembered that we have devoted no less a sum than 36½ crores of rupees out of current revenues towards the reduction of debt during the last seven years, and that an addition of fifteen crores will still leave it 21 crores lower than it was in 1898.

### *Curzon's Conception of India's Military Responsibilities Challenged*

My Lord, I have already referred briefly to the alarming growth that has taken place in the military expenditure of the country in recent years. The military problem is the most dominant factor in the general position of the country's finances, overshadowing every other. National safety is, of course, the first and most paramount consideration in a country's administration. But no people can bear indefinite and ever-increasing burdens—practically without limit, and absorbing the greater part of every financial improvement—even in the name of such safety. I have on previous occasions spoken more than once on this subject at some length in this Council, and I do not, therefore, propose to say much today. Last year the Hon'ble Sir Edmond Elles,<sup>1</sup> in his reply to some of my observations, told the Council that I had criticised measures about which my knowledge was infinitesimal. The remark was somewhat superfluous, seeing that in my speech I had taken care not to say one word about any technical matters. The Hon'ble Member then went on to cite the instance of Japan and ask what would have been her fate, if her future had been guided by statesmen holding the views of my Hon'ble friend Mr. Sri Ram and myself. I do not think the reference to Japan was quite a tactful thing. For Japan's destinies are guided by her own sons, whose one thought and

1. see foot-note on p. 63.

there are so many ways, all intimately connected with the well-being of the people, in which the surplus revenue could be spent.

### Costly Army Reorganisation Scheme Criticised

This brings me to the scheme of Army re-organisation and the provision of 3 crores 66 lakhs that has been made for it in the next year's Budget. The scheme is one of vast magnitude, and it is claimed that it will be of lasting benefit. No lay criticism of its technical aspects can, of course, be of any value, though even laymen cannot help noting that expert opinion is not quite unanimous in regard to it. Thus we find Colonel St. J. M. Fancourt, C. B., writing to the *Madras Mail* to urge that enlarged camps of exercise will serve the purpose as well as the proposed concentration camps and will be much less costly and will offer fewer administrative difficulties; that the training under the climatic conditions of the country, especially the summer heat, cannot be carried on the whole year round, which reduces the value of a permanent location of troops in large concentration camps, and that for the annual seasons of drill, troops can be moved and massed wherever desirable, the expanding Railway system affording increasing facilities for such movements. Laymen also cannot help thinking that, in the very nature of things, there can be no finality in such plans of distribution of armed forces. The period is a period of mighty changes and the world's affairs are passing through a new phase. The rise of Japan as one of the first Powers in the world is a new factor in international politics and of vast significance. New and unexpected combinations may arise, and the danger-zones and danger-points may not remain as they at present are — for ever and ever. However, the towering personality of His Excellency the Commander-in-Chief<sup>1</sup> must silence all objections to the scheme of which he is the author, and the required money — 15 crores of rupees — has to be found to carry it out. The Government have announced their intention to meet the whole charge from current revenues, and they have already provided in the next year's Budget a sum of 3 crores 66 lakhs for the purpose as a first instalment, committing themselves at the same time to devote similarly 3 crores every year till the whole programme is completed. My Lord, I beg leave to protest most earnestly against this decision of the Government of India. The charge is heavy and non-recurrent and, on the analogy of English and Continental practice in similar cases, ought

1. *Horatio Herbert Kitchener* (later *Earl Kitchener of Khartoum*) (1850-1916): Field-Marshal; member of a joint English, French and German Commission to delimit the territory of the Sultan of Zanzibar, 1895; Governor-General of Eastern Sudan, 1906-08; Commander in Chief in India, 1900-09; British Agent and Consul General, Egypt, 1911; Secretary for War, 1914-1916.

rebellion, whether in British India or in Feudatory States, impossible ; and (c) watching and overawing the armies of feudatory Native States.

This conception of India's position and responsibilities, however, is no longer thought to be sufficient. Thus last year the Hon'ble Sir Edmond Elles, after asking the question :

Are we to be content to hide ourselves behind our mountain barriers under the foolish impression that we should be safe, whilst the absorption of Asiatic kingdoms is steadily in progress ?

observed as follows :

It is, I think, undoubted that the Indian Army in the future must be a main factor in the maintenance of the balance of power in Asia ; it is impossible to regard it any longer as a local militia for purely local defence and maintenance of order.

*And Your Lordship, referring to the same point, said :*

I spoke last year about the increasing range of our responsibilities in Asia and a good deal has happened in the interim to point those remarks. My own view of India's position is this : She is like a fortress with the vast moat of the sea on two of her faces and with mountains for her walls on the remainder. But beyond those walls, which are sometimes of by no means insuperable height and admit of being easily penetrated, extends a glacis of varying breadth and dimensions. We do not want to occupy it, but we also cannot afford to see it occupied by our foes. We are quite content to let it remain in the hands of our allies and friends ; but, if rival and unfriendly influences creep up to it and lodge themselves right under our walls, we are compelled to intervene because a danger would thereby grow up that might one day menace our security. This is the secret of the whole position in Arabia, Persia, Afghanistan, Tibet, and as far eastwards as Siam. . . . And the whole of our policy during the past five years has been directed towards maintaining our predominant influence and to preventing the expansion of hostile agencies in this area which I have described.

This new and Imperial definition of India's position and responsibilities is bound to stagger the people of this country, for it means that India's resources are to be unhesitatingly used for engaging in a race with European Powers to absorb Asiatic Kingdoms ! Now, apart from the ethics of such absorption, I submit that if England's dominion in the East must be thus extended in all directions on the mere suspicion that a rival is creeping up towards the frontiers of India, the Imperial Government in England and not the poor people of India ought to find the money for the purpose. The maintenance of the balance of power in Asia is a matter of Imperial concern ; and for the Government of India to accept that responsibility is to impose upon this country a military duty and a financial obligation to which she is utterly unequal and which, moreover, it is unjust to throw on her.

#### Satisfactory Financial Position of the Country

My Lord, I have complained above of the system of finance that has been maintained in this country for the last seven years.

aspiration is the greater glory of their country, and who further by every means in their power the moral and material advancement of their people. Is the Hon'ble Member prepared to adopt Japan as a model for all branches of the country's administration? If so, let him induce his colleagues in the Government to treat the people of India as the Japanese Government treats the people of Japan in matters of education, of industrial development, of military and naval service, of appointment to high and responsible office, and I, on my part, humble as I am, undertake to see that no Indian publicist raises any objection to such military expenditure as the Hon'ble Member thinks it necessary to incur. My Lord, on technical aspects of military questions, the opinion of laymen is of course of but little value. But as the *Englishman* pointed out the other day :

There is a stage when considerations of military defence emerge out of the plane which has always been tacitly reserved for professional soldiers. . . . The larger problems involving the expenditure of large sums of money and the dispositions of troops in relation to possible enemies are clearly not to be decided on the fist of military men. These matters affect the State as a whole, and, as such, must be looked at from the civil as well as the military point of view.

Our military expenditure has nearly doubled itself during the last twenty years, having risen from 17.9 crores in 1884-85 to 32.6 crores in 1905-06. It now exceeds the entire land-revenue of the country and no one can say where it will stop, or if it will stop anywhere at all. It is now said that India is the strategic frontier of the British Empire. If so, the defence of such frontiers is clearly an Imperial responsibility, and India ought to be relieved of part of her present military burdens. For the last twenty years, the fears of a Russian invasion have dominated the situation and dictated the scale of our military expenditure. Russia now lies prostrate and bleeding—her prestige shattered beyond hope, and a standing menace to the peace of Asia gone. May we not now hope for a little respite in this piling up of ceaseless military burdens on our shoulders? The limits of military expenditure were thus laid down by Lord Mayo's Government in 1871 :

"We cannot," they wrote, "think that it is right to compel the people of this country to contribute one farthing more to military expenditure than the safety and defence of the country absolutely demand."

The Army Commission of 1879<sup>1</sup> thus defined the functions of the Indian Army :—

The purposes for which the Army of India must be maintained may be stated to be—(a) preventing and repelling attacks or threatened aggressions from foreign enemies beyond our border; (b) making successful armed disturbance or

1. see foot-note 2 on p. 33.

2. see foot-note on p. 19.

That complaint, however, must not be understood to apply to the present Financial Statement, which indeed has to a large extent broken from the old tradition and taken an important step forward in the right direction. With the single exception of the provision made out of current revenues for Army reorganisation, the budgetary dispositions appear to me to be both liberal and statesmanlike. Speaking, further for Bombay, I gladly acknowledge the liberal character of the new Provincial Settlement. I rejoice also that the Hon'ble Member has put an end to the era of systematic underestimating of revenue and overestimating of expenditure. More than once have I complained of this practice in this Council as unfairly prejudicing the chances of the tax-payer in the matter of remission of taxation. Last year, for instance, I had said :

In the twelve years of storm and stress (i.e., from 1885 to 1896) it was perhaps necessary for the Finance Minister to act on the safe, if somewhat over-cautious, plan of underestimating the revenue and overestimating the expenditure. But though the difficulties of the position have passed away, the tradition, once established, still holds the field.

And this only drew on me a sharp remonstrance from Sir Edward Law.<sup>1</sup> It was, therefore, with a certain amount of legitimate satisfaction that I found the Hon'ble Member virtually admitting the correctness of my contention and admitting it very nearly in my own words :

"So long", he has observed, "as all growth of revenue and the fruits of all retrenchment were liable to be swallowed up by a fall in exchange, it was common prudence to frame the estimates in the most cautious manner, and to take no credit for developments of revenues until they were absolutely assured. When this factor was eliminated, the traditions of excessive caution remained and due allowance was not always made in the estimates for the normal expansion of the growing heads of revenue."

My Lord, the financial position of the Government now is one of exceptional strength. Taking the Budget Estimates for next year, we find that after providing 3 crores 66 lakhs for an extraordinary charge, which ought to be met out of borrowings, we still have a surplus of 1 crore 36 lakhs. This means an excess of 5 crores of revenue over expenditure. Then the profits from coinage have averaged about 2½ crores a year during the last five years and they are bound to increase as trade expands. These profits will be available for general purposes in a year or so, as the Gold Reserve Fund already stands at 8½ millions sterling, and, as your Lordship stated last year, when it reaches 10 millions sterling, it 'will be sufficient for our purpose and will give us a permanent guarantee for stability of exchange.' Then Railway finance has entered on a new phase. After causing a net loss year after year for half a

1. Finance Member, Government of India, 1900-1905.



one crore in ten years! And yet all these provinces have suffered during the period from a succession of calamitous seasons. My Lord, the fearful poverty and indebtedness of the agriculturist calls for a great and comprehensive scheme of ameliorative action, and no mere palliatives will be of much avail. A general reduction of the State demand in the temporarily-settled provinces as suggested by Mr. O'Connor, and the grant of Permanent Settlement to those provinces together with a bold scheme for the composition of the raiyat's liabilities—nothing less than these measures will really save him from utter and hopeless ruin. The present financial position, with an assured excess of at least  $7\frac{1}{2}$  crores of revenue over expenditure, gives Government a great opportunity, which, if allowed to slip now, may never present itself again. A reduction of 20 per cent. in the State demand in the provinces of Madras, Bombay, Central Provinces, and United Provinces will not cost more than 3 crores a year and the amount sacrificed will return to the State tenfold in the increased prosperity and contentment of the people. And a great scheme of composition of debts, similar to the one for buying out the landlords in the Irish Land Purchase Act of last year—when the Imperial Treasury undertook to advance a hundred millions sterling for the purpose—will mean the making of the raiyat again and is the only way in which the problem of agricultural indebtedness can be successfully grappled with.

### Substantial Grants to Municipalities Urged

Another subject which I wish earnestly to bring to the attention of Government is the condition of Municipal bodies in those parts of the country which have suffered severely from successive visitations of the plague. The finances of some of these bodies have been so completely disorganised that it is with difficulty that they are able to perform their most elementary duties. They still owe large sums to Government for plague loans, though the greater part of these loans have been already remitted by Government, and unless Government come forward again to help them out of their embarrassments, their available margin of income over expenditure must be devoted to the paying off of these debts for several years to come. I have the honour to preside over one of the largest Municipalities in the Bombay Presidency—the Corporation of Poona—a body which has suffered as much as any other from this terrible scourge; and I know from personal experience how we are simply powerless at present to undertake any large works of improvement and what a struggle we have to make merely to keep things going. Our plague debt today is about 2½ lakhs of rupees—a sum nearly equal to our annual income—and it will take something like fifteen years to clear it off, which means that for fifteen years our small margin of

These taxes on land include stamp-duties and local rates and, in France, road-cesses. In India, leaving out of calculation Provincial rates and stamp-duties and confining ourselves to land-revenue only, what do we find? Taking the figures set forth in the Government Resolution of 1902, which cannot be suspected of being unduly unfavourable to Government, we find that, in *Madras*, the assessment is from 20 per cent. in the Godavari District to 8 per cent. in Anantapur of the gross produce, and in most districts it averages over 15 per cent. In *Bombay* the assessment in Gujarat is 20 per cent. and even in the dry and dreary Dekkhan, considering the uncertainty of the seasons, it is in no way lighter. In the *United Provinces of Agra and Oudh*, it is one-seventh or one-eighth of the gross produce, i. e., from 12 to 14 per cent. Thus, while elsewhere the total burden on land is well below ten per cent., with us, taking the land-revenue alone, we see that the assessment over most areas is about 15 per cent. and in some portions as high as 20 per cent. of the gross produce—and this according to official estimates. Secondly, everywhere in India, and particularly in the temporarily-settled districts, the utter resourcelessness of the agricultural classes is the most distressing fact of the situation. The cultivator has no capital and has but little credit and is simply unable to make proper use of Nature's wealth that lies at his door, with the result that his cultivation is of the rudest and most exhausting type. The yield of the soil has been steadily diminishing, except in irrigated tracts, being simply 8 to 9 bushels an acre, about the lowest yield in the world. Thirdly, the currency legislation of Government has hit the raiyat very hard, depreciating at once the value of his small savings in silver and increasing steadily, as prices are adjusting themselves to the new rupee, the burden of his assessment and his debts. Fourthly, a succession of bad seasons during the last fifteen years has borne him down with crushing pressure, the McDonnell Commission<sup>1</sup> observing that the past decade in most parts of India has been 'a decade of misfortune and distress.' Lastly, there is his terrible indebtedness, which is admitted by everybody, and which, there is reason to fear, is steadily on the increase. In such a situation the struggling raiyat toiling ceaselessly without heart and without hope needs every assistance and relief that can possibly be brought to him. But the operations of the Settlement Department are going on apace, and everywhere a fresh revision means a fresh enhancement of Government demand. Taking *Madras*, *Bombay*, *Central Provinces*, and the *United Provinces of Agra and Oudh* together, we find that during the last ten years the land-revenue collections have risen from 14.4 crores in 1893-94 to 15.4 crores in 1903-04—an increase of fully

1. see foot-note 1 on p. 14.

income over expenditure will not be available to us for any other purpose. From a return very courteously supplied to me by the Finance Member, I find that the amount which the mofussil Municipalities in the Bombay Presidency still owe to Government is about 17 lakhs of rupees. This is over and above 22 lakhs which the Government have already remitted. Moreover, the Municipalities have met out of their own revenues a plague expenditure of about 16 lakhs. It is only fair to mention that for these plague loans the Municipalities are only technically responsible. They represent the excess expenditure incurred by Government in the name of Municipal Bodies in the early years of the plague, when all kinds of drastic measures were adopted to stamp out the disease and Municipal money was spent by plague officers appointed by Government with the most reckless profusion. Now this sum of 17 lakhs, which the Municipalities still owe to Government, is really the merest nothing to the Government, with their crores and crores of surplus revenues; but to these Municipal Bodies it means all the available margin of income over expenditure. I therefore earnestly suggest that these plague loans should be written off by Government so as to leave Municipalities free to devote their slender resources to urgently needed undertakings. I am willing that in writing off these loans a condition should be imposed on the Municipalities that the amounts written off by Government should be devoted to works of permanent utility. I am sure, my Lord, if only the Finance Minister will adequately realise the extent of our difficulties—difficulties which contrast most painfully with the prosperous condition of the Government of India's Treasury—he will at once recognise the absolute necessity of coming to our relief. In Poona, for instance, we have the plague from four to six months every year. During these months we suffer a heavy loss in octroi and other revenue, and while our receipts thus suffer our expenditure increases because, in addition to our ordinary establishment, we have to maintain a special establishment to deal with the outbreak of plague. My Hon'ble friend Mr. Younghusband, who is Commissioner of the Division to which Poona belongs, and who has always been a most sincere friend of local bodies, will, I am confident, endorse every word of what I have said if he is called upon to express an opinion on this subject. But writing off plague loans is not all the assistance that I ask for our Municipalities at the hands of the Government. I want the Government to go further — much further — and recognise the obligation to make substantial grants in aid of the funds of these bodies for works of permanent improvement, such as drainage and water supply. My Lord, the persistence with which the plague has been lingering in our midst has drawn pointed attention to the questions of faulty drainage and defective water-supply, and it is recognised that real improvement

The Government of India thus lay down (1) that race, so far from being no disqualification, shall constitute in the case of all but a very few a conclusive disqualification for the higher offices of the State; (2) that this disqualification shall last as long as the British rule endures; (3) that in regard to other offices held at present by Europeans, they are so held because Indians qualified by education and morals are not either available, or where they are available, they are unfit for the exercise of 'particular responsibility.' Now, my Lord, the equal treatment promised in regard to public employment by the Parliamentary Statute and the Queen's Proclamation may be nothing better than a legal fiction in practice, but it is a fiction which we have cherished as embodying an ideal for the future and representing the higher purpose of British rule in this land, and we cannot afford to see it so explicitly repudiated by the Government. Nothing to my mind is calculated to affect more disastrously the attitude of educated Indians—and their number is bound steadily to grow—towards British rule than a belief that under that rule their exclusion from the highest offices of the State is intended to be perpetual. As regards the question of education and morals being involved in our exclusion from most of the offices in the special departments, is it really intended to be conveyed that among the thousands and thousands of educated Indians who are ready to seek employment under the State, even a few cannot be found possessing the necessary education and moral character or qualified to exercise the required degree of responsibility? I am sure the question has only to be presented in this form to make the injustice of it clear to everybody. Why, my Lord, it is a matter of common knowledge that, in the case of the smaller appointments at all events, it is not the Indian but the European or Eurasian competitor, whose education and morals it would really be desirable sometimes carefully to investigate. However, I do not wish to pursue this argument any further on this occasion. My object today is to point out how inaccurate and misleading is the conclusion which the Government of India Resolution has recorded on this subject and which I have already quoted above. The Resolution claims (1) that the pledges given have on the whole been honestly and faithfully carried out, and (2) that there has been a progressive increase in the Indian element and a progressive decline in the European element in the service of the State. Before proceeding to show how unsupported by facts this two-fold claim is, I must, in the first place, point out that in the statistical tables which accompany the Resolution the real issue has been obscured by the inclusion therein of posts as low as Rs. 75 a month. When we complain of our exclusion from high office, we do not refer to the lower grades of the Public Service—grades which carry salaries as low as Rs. 75 or Rs. 100

were the people of this country not justified in complaining of exclusion from high office, but that they were being treated with 'a liberality unexampled in the history of the world.' The Government Resolution of May 24th, 1904, expressed the same opinion in the following words:

There has been a progressive increase in the employment of natives and a progressive decline in the employment of Europeans, showing how honestly and faithfully the British Government has fulfilled its pledges and how untrue is the charge which is so often heard of a ban of exclusion against the natives of the country.

In spite of both the speech and the Resolution, however, the public mind remains unconvinced, and certain propositions in the Resolution have even created the unfortunate impression that it was no longer the intention of Government to adhere faithfully to the lines of policy laid down in the matter in the Parliamentary Statute of 1833 and the Proclamation of the Queen-Empress in 1858. The Statute and the Proclamation have respectively pledged the word of the British Parliament and the British Sovereign to the people of India that all offices in the country shall be equally open to all without distinction of race, colour, or creed. The Statute was further interpreted by the Court of Directors as laying down that there was to be no governing caste in India, and that whatever tests of fitness were prescribed, considerations of race or creed were not to be of the number. The Resolution of last year, however, lays down two principles, as governing the situation, which, in the form in which they are stated, are certainly inconsistent with the pledges given in the Statute of 1833 and the Proclamation of 1858. The Resolution says:

The general principles which regulate the situation are two in number. The first is that the highest ranks of civil employment in India—those in the Imperial Civil Service, the members of which are entrusted with the responsible task of carrying on the general administration of the country—though open to such Indians as proceed to England and pass the requisite tests, must nevertheless, as a general rule, be held by Englishmen, for the reason that they possess partly by heredity, partly by upbringing, and partly by education, knowledge of the principles of government, the habits of mind, and the vigour of character, which are essential for the task, and that the rule of India being a British rule and any other rule in the circumstances of the case being impossible, the tone and standard should be set by those who have created and are responsible for it. The second principle is that outside this *corps d'élite*, the Government shall, as far as possible, and as the improving standards of education and morals permit, employ the inhabitants of the country, both because its general policy is to restrict rather than to extend European agency and because it is desirable to enlist the best native intelligence and character in the service of the State. This principle is qualified only by the fact that in certain departments, where scientific or technical knowledge is required or where there is a call for the exercise of particular responsibility or for the possession of a high standard of physical endurance, it is necessary to maintain a strong admixture and sometimes even a great preponderance of the European element.

have declared that, in their opinion, England's greatest work in India is to associate the people of this country, slowly it may be, but steadily, with the work of their own Government. To the extent to which this work is accomplished, will England's claim to our gratitude and attachment be real. If, on the other hand, this purpose is ever lost sight of or repudiated, much good work, which has been already done, will be destroyed, and a position created, which must fill all true well-wishers of both England and India with a feeling of deep anxiety

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or even Rs 200 a month—though in some of the special departments we are virtually shut out even from such petty appointments. When we make the complaint about exclusion, we refer to offices sufficiently high in the public service—offices of trust and responsibility—say above Rs. 500 a month. I have compiled tables for the years 1897 and 1903 from the statistics published by the Government of India to show how we stand in regard to these appointments, and it will be seen from them that the two-fold claim of the Government of India already referred to is wholly untenable. I do not propose to read out these tables. They will appear as an appendix\* to my speech in the report of these proceedings. It will be seen from them that they effectively dispose of the contention that we have so far been treated with unexampled liberality. They also show that most of the new posts, created between 1897 and 1903, have gone to either Europeans or Eurasians, which element certainly shows no signs of declining, the Indian element even losing ground in some of the departments.

My Lord, this question of appointment to high office is to us something more than a mere question of careers. When all positions of power and of official trust and responsibility are the virtual monopoly of a class, those who are outside that class are constantly weighed down with a sense of their own inferior position, and the tallest of them have no option but to bend in order that the exigencies of the situation may be satisfied. Such a state of things, as a temporary arrangement, may be accepted as inevitable. As a permanent arrangement, it is impossible. This question thus is to us a question of national prestige and self-respect, and we feel that our future growth is bound up with a proper solution of it. My Lord, your Lordship said on one occasion that to your mind efficiency of administration was synonymous with the contentment of the people. There is no question, of course, of the supreme importance of a high degree of efficiency in a country's government. There is also no doubt that in this respect the present Administration has been the most strenuous and the most successful of any that the country has had for many years. But may I venture respectfully to point out that your Lordship's proposition leaves out of account the special circumstances of India, that efficiency, though an object of paramount importance with us as elsewhere, is not the sole purpose of British rule in this land, and that for the contentment of the people to be real and enduring, something more is indispensable than mere efficiency, however high it may be? A succession of great statesmen, who in their day represented the highest thought and feeling of England,

\* vide Appendix.

## FOREIGN

	1897	1903
Total	9	10+1
Europeans	8	8
Eurasians	0	1+1
Hindus	0	0
Mahomedans	1	1

## JUDICIAL

	1897	1903
Total	450	456+6
Europeans	246	236-10
Eurasians	15	13-2
Hindus	155	173+18
Mahomedans	34	34

## FORESTS

Total	135	137+2
Europeans	134	136+2
Eurasians	0	0
Hindus	1	1
Mahomedans	0	0

## LAND-REVENUE

Total	826	899+73
Europeans	585	653+68
Eurasians	28	15-13
Hindus	184	180-4
Mahomedans	38	51+13

## GEOLOGICAL SURVEY

Total	10	11+1
Europeans	8	9+1
Eurasians	0	0
Hindus	2	2
Mahomedans	0	0

## MEDICAL (CIVIL)

Total	194	193-1
Europeans	182	182
Eurasians	2	1-1
Hindus	10	10
Mahomedans	0	0

## IMPERIAL SERVICE TROOPS

Total	10	15+5
Europeans	10	15+5
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## METEOROLOGY

Total	2	4+2
Europeans	2	4+2
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## INDIAN MUSEUM

Total	2	3+1
Europeans	2	3+1
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## MILITARY ACCOUNTS

Total	9	14+5
Europeans	4	9+5
Eurasians	5	5
Hindus	0	0
Mahomedans	0	0

## JAILS

Total	37	45+8
Europeans	37	41+4
Eurasians	0	0
Hindus	0	4+4
Mahomedans	0	0

## MILITARY ADMINISTRATION

Total	3	6+3
Europeans	1	3+2
Eurasians	2	3+1
Hindus	0	0
Mahomedans	0	0



# APPENDIX

## ADMINISTRATION

	1897	1903
Total number of Posts above Rs 500	234	248+14
Europeans	189	197+8
Eurasians	16	24+8
Hindus	28	25-3
Mahomedans	1	2+1

## AGRICULTURE (New Creations)

Total	0	3
Europeans	0	3
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## ARCHAEOLOGY (New Creations)

Total	0	7
Europeans	0	6
Eurasians	0	0
Hindus	0	1
Mahomedans	0	0

## ASSESSED TAXES

Total	2	2
Europeans	1	1
Eurasians	0	0
Hindus	1	1
Mahomedans	0	0

## BOTANICAL SURVEY

Total	1	0-1
Europeans	1	0-1
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## CIVIL VETERINARY DEPARTMENT

	1897	1903
Total	10	12+2
Europeans	10	12+2
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## CUSTOMS

Total	34	38+4
Europeans	27	31+4
Eurasians	4	5+1
Hindus	3	1-2
Mahomedans	0	1+1

## ECONOMIC PRODUCTS

Total	1	2+1
Europeans	1	2+1
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## EDUCATION

Total	145	142-3
Europeans	117	114-3
Eurasians	1	4+3
Hindus	24	23-1
Mahomedans	3	1-2

N B—Over Rs 1,000 a month in 1897, 39, all Europeans in 1903, 49, out of whom 48 were Europeans and 1 Hindu

## EXCISE

Total	5	7+2
Europeans	2	5+3
Eurasians	0	0
Hindus	3	2-1
Mahomedans	0	0

## ROYAL INDIAN MARINE

	1897	1903
Total	14	14
Europeans	14	14
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## SALT

Total	34	38+4
Europeans	32	35+3
Eurasians	2	2
Hindus	0	1+1
Mahomedans	0	0

SCIENTIFIC AND MINOR  
DEPARTMENTS

Total	2	2
Europeans	2	2
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## STAMPS

Total	4	5+1
Europeans	2	2
Eurasians	1	0-1
Hindus	1	3+2
Mahomedans	0	0

## STATE RAILWAYS

	1897	1903
Total	274	254-20
Europeans	253	221-32
Eurasians	13	24+11
Hindus	8	9+1
Mahomedans	0	0

N. B.:- Above Rs. 1,200 a month in 1897, 29, all Europeans; in 1903, 34, of whom 32 were Europeans and 2 Eurasians.

## STATIONERY AND PRINTING

Total	9	8-1
Europeans	7	7
Eurasians	1	1
Hindus	1	0-1
Mahomedans	0	0

## SUPPLY AND TRANSPORT

Total	3	2
Europeans	3	2-1
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## SURVEY

Total	46	42-4
Europeans	37	29-8
Eurasians	9	13+4
Hindus	0	0
Mahomedans	0	0

## MINES

	1897	1903
Total	1	3+2
Europeans	1	3+2
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## MINT AND ASSAY

Total	9	11+2
Europeans	8	10+2
Eurasians	0	0
Hindus	1	1
Mahomedans	0	0

## MISCELLANEOUS

Total	2	5+3
Europeans	2	5+3
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## POLITICAL

Total	134	139+5
Europeans	131	134+3
Eurasians	1	1
Hindus	0	2+2
Mahomedans	2	2

## PORT BLAIR

Total	7	7
Europeans	7	5-2
Eurasians	0	1+1
Hindus	0	0
Mahomedans	0	1+1

## POST OFFICE

Total	25	29+4
Europeans	22	27+5
Eurasians	0	0
Hindus	3	2-1
Mahomedans	0	0

## PUBLIC WORKS

	1897	1903
Total	435	404-31
Europeans	361	322-39
Eurasians	20	23+3
Hindus	52	57+5
Mahomedans	2	2

N. B.—Over Rs. 1,200 a month,  
1897, 40; 1903, 61, all Europeans.

## OPIUM

Total	32	44+14
Europeans	31	41+10
Eurasians	1	1
Hindus	0	1+1
Mahomedans	0	1+1

## ORDNANCE

Total	9	16+7
Europeans	9	16+7
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## PILOT SERVICE

Total	12	21+9
Europeans	12	21+9
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

## POLICE

Total	329	328-1
Europeans	321	321
Eurasians	4	2-2
Hindus	3	3
Mahomedans	1	2+1

## REGISTRATION

Total	6	3-3
Europeans	1	1
Eurasians	0	0
Hindus	4	2-2
Mahomedans	1	0-1

Member could usefully come to our assistance on the same principle on which he has given the present relief to the other provinces. One is as regards the loss which our Local Boards have to bear as a result of the suspensions and remissions of land-revenue granted by Government. The principal part of the income of these Boards is derived from the one-anna cess on land; so when the Government, owing to the prevalence of famine, suspends or remits a part of the land-revenue, the one-anna cess that is paid with such revenue is also automatically suspended or remitted. The Government anticipates that the amount suspended or remitted this year owing to the present famine will be about 50 lakhs of rupees. This means that the Local Boards will lose a little above Rs. 3 lakhs of their revenue during the year. The proceeds of the one-anna cess for the whole Presidency are under Rs. 30 lakhs, and to lose Rs. 3 lakhs out of Rs. 30 lakhs is a serious matter. Moreover, the loss is not spread over the whole Presidency, but has to be borne only by the districts affected, which means that in those districts the Boards will not have enough money even for their barest wants. I suggest, therefore, that the grant this year to the Boards from the Provincial revenues should be increased by Rs. 3 lakhs, or by whatever may be the amount of the one-anna cess suspended or remitted with the land-revenue, the Provincial Government receiving, if necessary, compensation from the Government of India for the purpose. I understand that this is the practice that is followed in the Punjab, where, as a result, the Boards receive their full amount intact, whatever suspensions or remissions the Provincial Government may grant to the agriculturists; and I only ask that our Boards may be treated with the same consideration.

Another direction in which the Hon'ble Member could come to the rescue of these Boards is by relieving them of all responsibility for famine relief, which the Famine Code imposes upon them. Under the Code, the duty of relieving famine distress is first cast on the resources of the Local Boards and then on those of the Provincial and Supreme Governments. Now the means at the disposal of the Boards, even for the objects for which they have been brought into existence, viz., education, sanitation and medical relief, and roads, are woefully inadequate, and to throw on them in addition so heavy and unjustifiable a burden as famine relief is to take away from them practically all power of doing useful work. For the last ten years and more, we have had on our side an almost unbroken succession of unfavourable seasons, with no less than four famines, and the embarrassments of local bodies have been further aggravated by plague and the cost of plague measures; as a result, over the greater part of the Presidency, our Boards have been reduced

## BUDGET SPEECH, 1906

[ *At a meeting of the Imperial Legislative Council held on Wednesday, the 28th March 1906, Lord Minto, the Viceroy, presiding, Gokhale made the following speech on the Financial Statement for 1906-07 presented by Mr. E. N. Baker. ]*

### Financial Relief for Local Boards

My Lord, for the second time, the Hon'ble Mr. Baker has laid before the Council a budget, which, judged by the limits within which he was free to move, is an interesting and satisfactory statement, and which for lucidity of exposition will take high rank among the Financial Statements of the Government of India. I am particularly pleased to read what the Hon'ble Member writes about the effect of the recent reductions of salt duty on the consumption of that article. Time was not so long ago, when it was the fashion, both in this Council and outside, to regard the burden imposed on the masses by a high salt duty as after all only a light one, and to deny that its rate could seriously affect consumption. If ever the Government of India finds itself driven to enhance the duty again, I hope the Finance Member of the future will remember the eloquent testimony of my Hon'ble friend on the results of recent reductions, and no one will again venture to contest the proposition that, in dealing with a prime necessary of life such as salt, the only right policy is to raise an expanding revenue on an expanding consumption under a diminishing scale of taxation. Even at present, the level of the duty—about 1,600 per cent. of the cost price—is much too high, and I earnestly trust that the Hon'ble Member will have, as I have no doubt he will be glad to have, another opportunity during his tenure of office as Finance Minister to effect a further reduction, thereby making the duty throughout India at least uniform with what it is in Burma, namely, Re. 1 a maund. The consumption in India, which was under 10 lbs. per head before these reductions, has now risen to about 11 lbs., but it is still far below the level of Burma, where it is about 17 lbs. per head. My Lord, the abolition of certain cesses on land and the discontinuance of certain appropriations from the funds of District and Local Boards for Provincial purposes will be greatly appreciated in the Provinces concerned, and I regard with sincere satisfaction the policy which underlies these measures. My only regret is that Bombay does not participate in the benefit of the relief accorded, and if it is not yet too late, I would like to suggest one or two directions in which the Hon'ble

revenue at the disposal of the State. And when I drew his attention to this error, he simply would not budge an inch, and contented himself merely with the remark that he did not know why he should not take the figures as he found them !

My second suggestion is that the income and expenditure of Local Boards, included under the head of Provincial Rates, should be separated from the accounts of the Government of India. It is a small matter—only about 2 millions a year—but it gives rise to much confusion. Take, for instance, education. A reference to Statement B will give one the idea that the Government expenditure on education was nearly 2 millions sterling, when in reality it is only about a million; the rest is Local Boards' expenditure merely included in Government accounts. It is true that the heading, 'Provincial and Local,' is there to prevent a misconception : but that in itself is again misleading, as the term 'Local' ordinarily includes Municipal also, whereas, in the accounts of the Government of India, the income and expenditure of only Local Boards, and not of Municipalities, are included. I trust the Hon'ble Member will be able to effect this simple but necessary reform. If the suggestions I have made are accepted, our real revenue will be seen to be about 58 millions instead of 87 millions, as the Statements in Appendix I lead one to imagine.

The inquiry I want to make is about the Gold Reserve Fund and the profits from Coinage. It was stated by Lord Curzon two years ago that the Gold Reserve Fund was to accumulate till it rose to 10 millions sterling, which amount, he declared, 'will be sufficient for our purpose and will give us a permanent guarantee for stability of exchange.' This limit has been already passed and the Fund today stands at over 12 millions sterling and I think the Hon'ble Member owes it to the country to say what he proposes to do with the profits from Coinage in future years. The fund is to accumulate at compound interest, and may therefore be left where it is. And the profits—about 2 millions a year on an average of six years—may henceforth be used to provide money for loans to agriculturists in a comprehensive scheme for the relief of agricultural indebtedness. They will thus yield a better interest than when they are invested in consols; such a course will also enable the Government to make some reparation to those classes which have been hit the hardest by its currency legislation. Even if they were devoted to productive public works, reducing by a corresponding amount the annual borrowings of the State, that will be better than the present plan of investing in consols. The justification of a policy, which invests its own money in 2½ per cent. and borrows at the same time for its purposes at 3½, is not quite obvious.

to a position not far removed from bankruptcy. The relief I ask for, though small, will therefore not fail to prove useful in their present circumstances, and I earnestly trust that the Hon'ble Member, who has already given abundant evidence of his sympathy with Local Bodies in their struggles, will realise the justice and necessity of granting it.

### Suggestions Regarding Form of Accounts

Before I proceed to deal with the larger questions on which I wish to offer a few observations today, I would like to make two suggestions, and address one inquiry to the Hon'ble Member. My first suggestion is that in the general statements of revenue and expenditure, given in Appendix I, the figures under Railways and Irrigation (productive works) should be given net. In the Budget for the coming year, the receipts under these heads have been estimated at about 29½ millions and the charges at about 27 millions. The net receipts to the State, therefore, under the two heads amount to only about 2½ millions, and I submit that it would give us a much more correct idea of the true revenue and expenditure of the country, if only this sum of 2½ millions were entered on the revenue side in the general statements, and a separate statement appended showing the gross receipts and charges under the two heads, instead of two such huge figures as 29½ millions and 27 millions being entered on the two sides of the account. The outlay on Railways and Irrigation is on a commercial basis, out of borrowed capital, and the receipts are bound to go up as the capital outlay increases. As a matter of fact, they have been going up of late years owing to increased capital expenditure and other causes by leaps and bounds, having nearly doubled themselves in ten years, standing today at 29½ millions against 15½ millions in 1896-97; but they make no real addition to the revenue of the country, except by that portion of them which represents the net profit earned by the State. In Japan, where they do things more scientifically than we, the course that is adopted as regards State Railways is the one I have suggested, and only the profits on the undertakings appear on the revenue side in the Financial Statement. Our present practice has been responsible for many curious misapprehensions of the financial position, and it has misled even those who should know better. Thus two years ago, the Military Member of the Government of India—Sir Edmond Elles<sup>1</sup>—advanced in this Council the obviously untenable proposition that, though the military expenditure of the country had in recent years been growing, its growth, proportionately speaking, was less than that of our revenue; and he proceeded gravely to establish his contention by treating these rapidly increasing gross receipts under Railways and Irrigation as part of the

1. see foot-note on p. 63.

country on that frontier at the shortest notice. Ten millions, again, do not represent the whole cost of the scheme. There is to be in addition a permanent burden on its account; how much it will be we have not yet been told, but the Hon'ble Mr. Baker warned the Council last year that it would be considerable. This recurring charge is to appear on the scene after five years, during which period 2 millions a year are to be spent out of current revenues to carry out the scheme. My Lord, I respectfully protest against the execution of such a scheme at such a time, as involving an expenditure of money and effort wholly beyond our capacity and not called for or justified by the requirements of the situation. The Secretary of State<sup>1</sup> for India stated in Parliament the other day in reply to a question that the matter was being further considered. I earnestly trust that his decision will be to hang up the scheme, at any rate till a more disquieting situation than the present arises on the North-Western frontier. Should the Government, however, unfortunately make up its mind to ignore recent events; and proceed with the scheme, I would most strongly urge that the money required for the initial outlay should be found out of loan funds. My Lord, during the last eight years, the Government has spent its surpluses, amounting to about Rs. 35 crores of rupees, on railways in addition to borrowed capital. Now such expenditure of current revenues as capital outlay on productive works appears in the accounts as an addition to our productive debt (which represents the capital expended on productive works), and this necessitates a reduction by a corresponding amount of the unproductive debt of the country. Last year, when I made this simple statement in connection with my plea that the cost of the Army Reorganisation Scheme should be met out of borrowings, the Hon'ble Member, to my surprise, denied the correctness of my proposition. He, no doubt, spoke under a misapprehension, and he evidently thought that my contention was that the total debt of the country, productive and unproductive taken together, had been reduced, when my whole argument was that, as our unproductive debt, which after all is the only real debt, had been reduced by the amount of current revenues spent as capital, the whole cost of the new Army Scheme could be met out of loan funds, and yet our unproductive debt would stand lower than where it was eight years ago. My Lord, it is most unjust to the tax-payers of this country that while the surpluses that accumulate should be spent as capital, heavy non-recurring charges in connection with the Army should be thrown on current revenues, when every pie that can be spared from these revenues is urgently

1. *John Morley* (Viscount Morley of Blackburn) (1838-1923); entered House of Commons, 1883; twice Chief Secretary for Ireland, 1886 and 1892; Secretary for India, 1905-10.



### Substantial Reduction in Military Expenditure Urged

My Lord, our financial administration is bound up with questions of policy of the highest importance affecting the government of the country, and unless that policy undergoes a radical change, our revenues will not be administered in a manner which will best promote the true well-being of the people. Of such questions, the most dominant, as it is the most difficult and delicate, is the question of the Army. My Lord, I fear that a protest in this country against the military policy of the Government and the ceaseless and alarming growth of our military burdens is almost like a cry in the wilderness, but the protest has to be made on every occasion that presents itself, as our most vital interests are involved in a proper solution of this question. Moreover, if ever there was a juncture when our voice in this respect should be heard by the authorities, that juncture is now. A profound change has taken place in the general position of Asiatic politics. The triumph of Japan in the late war has ensured peace in Middle and East Asia. The tide of European aggression in China has been rolled back for good. The power of Russia has been broken; her prestige in Asia is gone; she has on her hands troubles more than enough of her own to think of troubling others for years to come; and thus a cloud that was thought to hang for twenty years and more over our North-Western frontier has passed away, and, humanly speaking, is not likely to return, at any rate during the time of the present generation. The Anglo-Japanese alliance, concluded without considering how it would be regarded by the people of this country, is a further guarantee of peace in Asia, if such an alliance has any meaning. Surely, my Lord, this is the time when the people of this country have a right to look for a substantial relief from the intolerable burden of an excessively heavy military expenditure which they have had to bear for so many years past. And the first step in the direction of such relief is to suspend the execution of the Reorganisation Scheme drawn up by His Excellency the Commander-in-Chief<sup>1</sup> and estimated to cost more than 10 millions sterling. This scheme was projected in the early stages of the Russo-Japanese War, and was sanctioned in November 1904, when the issue of the struggle was not only uncertain but the odds seemed to be against Japan, and when apprehensions were entertained of hostile movements of Russian troops in the direction of Kabul. Now, however, that the situation has undergone a complete change and the North-Western frontier, our one danger-zone, has for the time ceased to be a danger-zone, there is no justification for proceeding with a costly scheme, devised to ensure a concentration of the entire armed strength of the

1. see foot-note on p. 72.

Elles, that the Indian Army 'is no longer a local militia for purely local defence and maintenance of order,' and that it 'must in the future be a main factor in the maintenance of the balance of power in Asia,' I submit that the Imperial Government ought in justice to bear a part of the cost of an army maintained for such a purpose. My Lord, our military expenditure has now grown to such proportions that it overshadows the whole field of Indian finance, and under its chilling shade no healthy development is possible for the people. And unless the axe is resolutely applied to its overgrown portions, our life will continue to exhibit the same signs of sickness that at present unhappily mark its growth.

### Defence System Based on Policy of Distrust

But the appalling increase in the weight of military burdens is not our only grievance in connection with the Army. The whole system of Indian defence, founded as it is on a policy of distrust, rests on an unnatural basis, and one notes with regret that the position is growing worse every day. Whole populations are now excluded from the Army. The abolition of the Madras Command under the new scheme involves the disestablishment of that Presidency as a recruiting ground and amounts to a denial to the people of Southern India of all opportunity of service even in the ranks. Recruitment is being confined more and more to frontier or trans-frontier men, to the people of non-Indian or extra-Indian areas, with the result that the Army is approximating more and more completely to a mere mercenary force. The Arms Act is being worked with increasing rigour, and licences to carry arms are now issued more sparingly than at any time before. I believe there are not more than thirty to forty thousand such licences at the present moment in all India. A large increase has been made in the number of British officers attached to the Native Army, so as to give all Punjab regiments an establishment of 13 British officers, and all other regiments, of 12. This increase completely ousts the Native officers from even such positions of trust as were open to them before, and not even the command of troops and companies is now really left to them. We have been asking for years, that the commissioned ranks in the Indian Army may be thrown open to aspiring and qualified Indians, scions of aristocratic families and others, and the reply of the Government is a stiffer closing of such careers to us. It is true that four members of the Cadet Corps were granted commissions last year, and the language used by the late Viceroy<sup>1</sup> more than once in speaking of the Corps had raised the expectation that these young men would be allowed the same opportunities of

1. Lord Curzon (1899-1905), Viceroy and Governor-General of India, 1899-1905.

needed for the education of our children and for a hundred other objects of internal progress. The Hon'ble Member may say that till the surpluses are actually realised, no one can tell what they will be. But surely when they have been realised and when they have been so employed as to reduce the unproductive debt of the country, I think there is no excuse for avoiding borrowing, within the limits of such reduction, for meeting heavy non-recurring charges.

### Reduce Strength of the Army

My Lord, I beg leave next to urge that the strength of the Army in India should now be reduced by at least those additions that were made in 1885 under the influence of the Penjdeh scare. The growth of the military expenditure in recent years has been simply appalling, as may be seen from the following figures :

1884-1885	...	Rs. 17.9 crores	(Before the increases of 1885 were made.)
1888-1889	...	Rs. 22.2 crores	(After the increases had their full effect.)
1902-1903	...	Rs. 23.2 crores	
1906-1907			
(Budget)	...	Rs. 32.8 crores.	

Our military expenditure is now nearly double of what it was twenty years ago. Since 1888 it has risen by over Rs. 10½ crores a year, and this, notwithstanding the fact that the strength of the Army has not been increased by a single troop or company during the time. The increases made in 1885 were made in spite of the protest of two Members of the Government of India and in disregard of the view recorded by the Army Commission<sup>1</sup> of 1879, that the then strength of the Army was sufficient both for internal peace and to repel foreign invasion, not only if Russia acted singly, but even if Afghanistan joined her as an ally. And since that time the fear of Russian aggression has been the one dominating factor in all our military arrangements. With Russia now crippled, and the Anglo-Japanese alliance concluded, the last trace of any such fear should disappear from the mind of the Government, and the country should be relieved of the burden imposed upon it specially as a result of that fear. The increasing difficulty that has of late been experienced in England in the matter of recruitment and in providing the annual drafts for India, with the resulting payment of bounties to short-service men here as an inducement to extend their service, also points to a reduction of the garrison in this country as a necessary measure of justice to the Indian taxpayer. Should the view, however, be upheld that such a reduction is not possible on the ground urged in this Council by Sir Edmond

1. see foot-note 1 on p. 34.

fighting strength of the country in times of war, and the matter is treated as if it were no concern of the people. The late Viceroy quoted last year the achievements of Japan to justify the enormous growth in our military expenditure. Does anyone, however, believe that Japan's glorious achievements would have been possible if the Government of that country had merely poured money like water on its standing battalions, unaugmented by reserves, and the magnificent spirit of every man, woman and child in that country had not been behind the Army to support it? Japan's ordinary budget for the Army is only about 37·3 millions yen, or a little under six crores of rupees. And for so small an expenditure, she has a standing army of 167,000 men, with reserves which can raise it to over 600,000 men in times of war. We spend nearly six times as much money a year, and yet, in return for it, we have only an inexpansive force of about 230,000 men, with about 25,000 Native reservists and about 30,000 European volunteers! Both on financial and on political grounds, therefore, our present unnational system of military defence is open to the gravest objection. My Lord, I respectfully submit that it is a cruel wrong to a whole people—one-fifth of the entire population of the world—to exclude them from all honourable participation in defence of their hearths and homes, to keep them permanently disarmed and to subject them to a process of demartialization, such as has never before been witnessed in the history of the world. Lord George Hamilton<sup>1</sup> once told an English audience that there were millions of men in India, who were as brave as any people on the face of the earth. Leaving such material in the country itself neglected, the Government has thought fit to enter into an alliance with a foreign Power—and that, an Asiatic Power, which once borrowed its religion from us and looked up to us—for the defence of India! Japan came under the influence of Western ideas only forty years ago, and yet already, under the fostering care of its Government, that nation has taken its place by the side of the proudest nations of the West. We have been under England's rule longer than forty years, and yet we continue to be mere hewers of wood and drawers of water in our own country, and of course we have no position anywhere else. My Lord, things cannot continue—they must not continue—much longer on so unsatisfactory a basis. Time and events will necessitate a change, and true statesmanship lies in an intelligent anticipation of that change. The present Prime Minister<sup>2</sup>, speaking in November last on the subject of the Anglo-Japanese Alliance, observed as follows:

*I am enough of an Imperialist, if this be imperialism, to hold that the maintenance of the integrity of India is our affair and no one else's; and, if further*

1. see foot-note 2 on p. 6.

2. Sir Henry Campbell-Bannerman, Prime Minister, 1905-1908.

attaining to positions of command in the Indian Army as British officers. The reply given by the Commander-in-Chief<sup>1</sup> to my question on this subject last week disposes of this expectation, and we see that Lord Curzon's promise in the matter, though kept to the ear, has been broken to the heart. In pre-Mutiny days we had two systems, the regular and the irregular. Under the regular there were 25 British officers to a Native regiment, whereas under the irregular there were only just 3 picked ones. The Army Commission of 1859<sup>2</sup> pronounced in favour of the 'irregular' arrangement; and after considerable discussion a compromise was eventually arrived at, and it was decided in 1863 that seven British officers should be attached to each Native regiment—these to command squadrons and wings, while the Native officers were to have charge of troops and companies. The question was re-opened in Lord Mayo's<sup>3</sup> time, and an increase of British officers was demanded; and the discussion again went on till 1875-76, when it was finally decided by Lord Salisbury (then Secretary of State for India) that the seven officers system should be upheld, his Lordship laying stress on the point that the position of the Native officers should be improved and raised. And now the question having been brought up afresh, we find the decision going against us, and the number of British officers in Native regiments raised from 7 to 12 and 13! My Lord, such growing distrust of the people, after so many years of British rule, is to be deplored from every point of view, and not until a policy of greater trust is inaugurated, will the military problem, or indeed any other problem in India, be satisfactorily dealt with. I recognise the difficulty of the situation and the undoubted need that exists for caution in the matter. But after all it is only confidence that will beget confidence, and a courageous reliance on the people's loyalty will alone stimulate that loyalty to active exertion. As long as things continue as at present, the problem of Indian defence, do what you will, must remain essentially and practically unsolved. The experts, who accompanied the Russian and Japanese armies in the late War, have declared that the Indian Army will be found too small, if a great emergency really arises. This is bound to be so, as long as reliance is placed on standing battalions exclusively, with such reinforcements as England might be able to send in the hour of need. Everywhere else in the civilised world, the standing army is supported by a splendid system of reserves, and the nation is behind them all. Here alone there are no reserves worth speaking of to augment the

1. see foot-note on p. 72.

2. Royal Commission presided over by Major-General Jonathan Peel on the Reorganisation of the Indian Army.

3. see foot-note 2 on p. 33.

less a sum than 35 crores of rupees and the whole of this money has been spent by the Government on Railways, in addition to the large amounts specially borrowed for the purpose! Now I do not wish to say anything against the construction of Railways as a commercial undertaking. Till recently they used to cost a net loss to the State every year, but that has now ceased; and there is no doubt that in future years they will bring a growing revenue to the Exchequer. To the construction of Railways on a commercial basis out of borrowed money I have therefore no objection, though even here the claims of irrigation to a larger share of the capital raised must be recognised better than they have been in the past. But I have the strongest possible objection to our surpluses being devoted to Railway construction, when they are urgently needed for so many other objects vitally affecting the interests of the masses. My Lord, I submit that there should be some sense of proportion in this matter. Already a sum of 250 millions sterling has been spent on Railways. For many years, it was the height of ambition of the Government of India to have in the country twenty thousand miles of Railways. The mileage open to traffic today is nearly twenty-nine thousand, and another two thousand is under construction. Are Railways everything, is mass education nothing, is improved sanitation nothing, that the Finance Minister should lay hands on every rupee that he can get either by borrowing or out of surpluses, and devote it to the construction of Railways only? Replying to my observations on this subject last year, the Hon'ble Member said:

When a surplus actually accrues either from a fortunate windfall, or from sources the continuance of which is not assured, then, I think, no more advantageous use for it can be found than to devote it to the construction of remunerative public works.

Now, with all deference, I beg to say that the Hon'ble Member's proposition is an unsound one. The course adopted by the Government would be right, if there was no need of non-recurring expenditure in other directions, more intimately connected with the well-being of the mass of the people. But, with such urgent needs of the country as decent school-houses for primary schools, works of sanitary improvement beyond the capacities of local bodies, and so forth, unsatisfied, I submit it is not a justifiable course to employ the proceeds of taxation for purposes of remunerative investment. That the surpluses are uncertain does not affect my contention at all. Whenever they are available, they may be devoted to the objects I have mentioned. When they are not available, the position cannot be worse than it is at present.

measures of defence are necessary—of which I have no assurance—the appeal should be to the loyalty of the people of India, and to our own capacity for organising their defence. Is there not danger that the pride of the Indian people may be wounded, and the prestige of the Empire abased in the eyes of the world, by the provision by which Japan makes herself conjointly responsible for the defence of the Indian frontier?

### Measures to Place Defence on National Basis

My Lord, this is true and far-sighted statesmanship, and my countrymen ask for nothing more than that the military problem in India be dealt with in the spirit of this declaration of the Prime Minister. The measures needed are Short Service for the Indian Army, the creation of Indian Reserves, and the gradual extension—first to select classes of the community, and then, as confidence grows, to all, of the privilege of citizen-soldiership, so that they may be able, if the need ever arises, to bear arms in the defence of their own land. The Government may move as cautiously as may be necessary, but it is in this direction that it must move; and then the whole situation will be altered. Our military defence will then be gradually placed on a national basis, the Army will have the support of the nation behind it, the present military burden will be largely reduced, and funds set free to be devoted to other objects of national well-being; the people of the country, instead of being condemned as at present merely to pay the taxes and then helplessly look on, will be enabled to feel a real and living interest in their Army, and our position in the matter will cease to wound our self-respect. Now that all fear of any immediate aggression from outside has disappeared, a trial may be given to this policy, and I feel a profound conviction within me that England will have no cause to regret its result.

### Disapproval of Railway Construction Out Of Surpluses

My Lord, I am free to confess that there is but little chance of any considerable change in the military policy of the Government of India being made in the immediate future, and, if I have spoken at some length on the subject today, it is both because the character of our national existence is bound up with the question, and also because a special appeal for a reconsideration of the policy is justified at the present juncture. I have already said that the military expenditure overshadows the whole field of Indian finance, and it is a matter for further regret that even such slender resources as remain at the disposal of the Government of India after meeting the cost of the Army are not employed to the best advantage. My Lord, during the last eight years, the surpluses of the Government of India have amounted to no

India, speaking two years ago before the Society of Arts in London, and speaking with all his special knowledge of Indian agriculture, said :

It is doubtful whether the efforts now being made to take the cultivator out of the hands of money-lenders will have much effect, or even, if they have the fullest effect, that they will materially improve the cultivator's position until a larger share of the produce of the soil is left in his hands, and he is protected against enhanced assessment by Government officials and against enhanced rent by private landlords.

And again :

I have little doubt that the reduction of the land-revenue by 25 or 30 per cent., if the reduction is secured to the profit of the cultivator, would be of far more value in the improvement of the class who constitute the bulk of the population, and who contribute most largely to the *finances* of the State.

The present system is having, and can have, but one effect. It tends to keep the one industry of the country in a hopelessly depressed condition, discouraging all expenditure of capital on land and rendering agricultural improvement an impossible hope. Whatever loss of revenue such a measure may cause directly to the State will be indirectly more than made up by a material improvement in the condition of the people.

(2) Next, a resolute attempt must be made to rescue the Indian agriculturist from the load of debt that at present overwhelms him. The problem is one of vast magnitude, and, probably, the conditions of the different Provinces will need different treatment. The best plan will be to take in hand an experiment on a sufficiently large scale over a selected area in each Province. Thus take the Deccan Districts in the Bombay Presidency. It is the opinion of competent authorities that quite one-third of our agriculturists, if not more, have already lost their lands, and they are remaining on them merely as the serfs of their money-lenders. Now I would take the cases of such men first, and I would appoint a special tribunal to go round and look into each case, going behind the bond where necessary, and I would have a composition effected, either by amicable arrangement, or by exercise of legal powers, with which the tribunal may be armed. I would place, *say, a million sterling at the disposal of the tribunal, out of which* advances should be made to clear the debt, to be recovered by adding about  $4\frac{1}{2}$  per cent. on them to the land-revenue demand of the State —  $3\frac{1}{2}$  per cent. for interest and about 1 per cent. for repayment of capital, the repayment being spread over fifty years or so. Having helped to free the man in this manner, the Government may then fairly claim to impose restrictions on his powers of alienation. Of course, this is only a bare outline, and the scheme will have to be worked out in detail



tor, Lord Cromer. If this were done, far more rapid progress would be made in the matter of Irrigation. As regards Scientific Agriculture, the country is watching with keen interest the steps which the Government is taking in the matter. I must, however, express one fear in this connection. If it is proposed to import European experts for the work as a standing arrangement, there will be small chance of any substantial good being done. The knowledge brought into the country by a succession of foreign experts, who retire to their own lands as soon as they have earned their pension, is like a cloud that hangs for a time overhead without descending in fertilizing showers, and then rolls away. Unless promising and carefully selected Indians are sent abroad to be trained and to take the places of the imported experts in due course, such expert knowledge will never become a part and parcel of the possession of the community. Of course, to begin with, a reliance on foreign experts is necessary, but care must be taken to make the arrangement only temporary.

(5) The promotion of industrial and technical education in the country is also an urgent necessity as a remedy for the extreme poverty of our people. This field has so far remained entirely neglected, with what results even the most superficial observer can see. The sum of 2½ lakhs of rupees, provided in this year's Budget, is as nothing compared with what is needed. The country requires at least one large, fully equipped Technological Institute at some central place, with Branch Institutes in the different Provinces.

(6) I now come to the question of Primary Education. From Mr. Nathan's<sup>1</sup> Report on Education, we find that, in 1901-02, the total expenditure on the primary education of boys in India from the funds of the State was the staggeringly small sum of 13½ lakhs ! Since then the amount has been increased, but even so it remains most miserably inadequate, compared with the requirements of the situation. My Lord, the question of mass education in this country has been neglected much too long, and the Government must lose no more time in waking up to its responsibilities in the matter. What is needed is a clear aim, and a resolute pursuit of that aim in a feeling of faith and with enthusiasm for the cause. The first step is to make primary education free in all schools throughout the country, and that can be done at once. The total receipts from fees in primary schools throughout India in 1901-1902 were only 30½ lakhs of rupees, so the sacrifice will not be very great. Moreover, the larger Municipal Corporations

1. Robert Nathan, I.C.S., Educational Commissioner with the Government of India.

and examined carefully before adoption. If the experiment shows signs of success, it can be extended to other parts. If it ends in failure, well; some money will be lost, but the risk has to be taken. When Lord Lansdowne<sup>1</sup> was Viceroy of India, he was so impressed with this evil of agricultural indebtedness that he is understood to have left a minute behind, expressing his opinion that the condition of the agricultural community was a most serious danger to British rule, and pointing out the necessity for immediate action. It is now fourteen years since he left India, and yet the only attempt made by the Government to deal with the problem is represented by some legislation intended to restrict the raiyat's powers of borrowing! What may usefully be the last link of the chain has thus been made by the Government the sole link, with the result that the situation today is as grave as ever.

(3) But these two measures will fail to do any permanent good to the raiyat, unless they are accompanied by the third measure of the group, namely, the providing of facilities which, while encouraging thrift will enable the agriculturist to borrow on occasions for his reasonable wants at a low rate of interest. The co-operative credit societies, for which an Act was passed two years ago, will not go any long way in this direction. The communal spirit is now very weak over the greater part of India, and the unlimited liability principle, which the Act insists upon, will keep substantial men from these societies, and any number of paupers brought together will have neither the cash nor the credit to help one another. If unlimited liability is removed and a portion of the Savings Banks deposits is made available to these societies, they may do some useful work. But what the country really needs is the establishment of Agricultural Banks, like those which have been so successfully introduced into Egypt by Lord Cromer.<sup>2</sup>

(4) Two other measures necessary for the promotion of agricultural prosperity in India, one of which has already received a good deal of attention at the hands of the Government, and the other has been recently taken up by it, are Irrigation and Scientific Agriculture. About Irrigation I would only like to ask why it is necessary to have the selected projects carried out departmentally, and why their execution cannot be entrusted, as in Egypt, to expert contractors, who would find and train the required labour, the Government exercising supervisory control only? I think, in this matter too, the Government of India may well take a leaf out of the book of that great administra-

1. Viceroy and Governor-General of India, 1838-93; Secretary of State for War, 1895-1900; Foreign Secretary, 1900.

2. see foot-note 2 on p. 14.

tion of works of sanitary improvement. At any rate an important beginning can be made in all these directions; only the spell, under which the official mind has been for so many years, must be broken.

My Lord, the improvement of the condition of the masses and the conciliation of the educated classes are the two really great problems before the British Government in India. The success or failure of England's work in this country will be determined by the measure of her achievement in these two fields. I have already spoken of the work that must be taken forthwith in hand for the moral and material advancement of the mass of our people. The task is one of great magnitude, but it is comparatively a simple one. The question of the conciliation of the educated classes is vastly more difficult, and raises issues which will tax all the resources of British statesmanship. There is but one way in which this conciliation can be secured, and that is by associating these classes more and more with the government of their own country. This is the policy to which England stands committed by solemn pledges given in the past. This is also the policy which is rendered imperative by the growth of new ideas in the land. Moreover, my Lord, the whole East is today throbbing with a new impulse, vibrating with a new passion, and it is not to be expected that India alone should continue unaffected by changes that are in the very air around us. We could not remain outside this influence even if we would. We would not so remain if we could. I trust the Government will read aright the significance of the profound and far-reaching change which is taking place in the public opinion of the country. A volume of new feeling is gathering, which requires to be treated with care. New generations are rising up, whose notions of the character and ideals of British rule are derived only from their experience of the last few years, and whose minds are not restrained by the thought of the great work which England has on the whole accomplished in the past in this land. I fully believe that it is in the power of the Government to give a turn to this feeling, which will make it a source of strength and not of weakness to the Empire. One thing, however, is clear. Such a result will not be achieved by any methods of repression. What the country needs at this moment above everything else is a Government, national in spirit, even though it may be foreign in personnel—a Government that will enable us to feel that *our* interests are the first consideration with it, and that *our* wishes and opinions are to it a matter of some account. My Lord, I have ventured to make these observations, because the present situation fills me with great anxiety. I can only raise my humble voice by way of warning, by way of appeal. The rest lies on the knees of the gods.

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might be asked to bear a portion of this loss, so far as their own areas are concerned. The next step will be to make this education compulsory for boys in the Presidency towns, and perhaps in a few other leading towns. When the minds of the people have been accustomed to the idea of compulsion in the matter of education, the area of compulsion may be gradually extended, till at last, in the course of twenty years or so from now, we have in our midst a system of compulsory and free primary education throughout the country, and that for both boys and girls. It will not do to be deterred by the difficulties of the task. Our whole future depends upon its accomplishment, and as long as the Government continues listless in the matter, it will justly be open to the reproach of failing in one of its most sacred duties to the people.

(7) Lastly, there is the pressing need of works of sanitary improvement, such as good water supply and drainage. As I pointed out last year, most of our towns are simply powerless to undertake such costly works without substantial assistance from the State. With the plague in all directions, and with the death-rate of the country steadily rising, the question of sanitary improvements assumes an importance which the Government cannot long ignore. The resources of our local bodies are barely sufficient for their current needs, and any large capital outlay is wholly beyond them. The present distribution of resources and responsibilities between local bodies and the central Government is most unfair to local bodies, and that is the explanation of the spectacle we have seen during the last few years, namely, that of the Exchequer of the Government overflowing with money, while these bodies have been in a state verging on bankruptcy. It is necessary that the Government should formulate and announce a definite policy on this matter.

All these measures that I have briefly outlined will require a large expenditure of money, both recurring and non-recurring. But even as our resources stand at present, there is room for undertaking them all. Thus if the Army Re-organization scheme is held up, or at least its initial cost is met out of borrowings, a sum from one to two millions a year will be available, and that may be devoted to a vigorous extension of primary education. The profits of coinage—averaging now about two millions a year—may supply funds for the relief of agricultural indebtedness. The famine grant which stands at a million sterling may, after deducting the expenditure on actual famine relief, now be devoted to industrial and technical education. The deposits in Savings Banks may be made available to co-operative credit societies. And whatever surpluses accrue may be devoted to assisting local bodies in the construc-

dispute altogether the correctness of the contention. Why, my Lord, so far from this being the case, the fact is really the other way. I think there is no room for doubt that even now, after these successive reductions of salt duty, our poorer classes contribute, relatively to their resources, much more than their fair share to the revenues of the State. These classes consist almost entirely of a broken and exhausted peasantry, without heart and without resource, and sunk hopelessly in a morass of indebtedness. It is from this peasantry, that over the greater part of India, the land revenue of the State is derived, and it is the same with Provincial Rates. Then the bulk of the revenue from drink comes from these classes. The excise duty on cotton goods falls almost exclusively on them. Under Stamps and Registration they pay, certainly, their fair share, and probably more than their fair share, since the bulk of our litigation is about small amounts. Under Forests they have been deprived of their immemorial right to free grazing and free fuel, and the proceeds of these are the only burdensome part of forest receipts, the rest being fair value realised for timber and other products. Even under Customs, where their contribution is expected to be the least owing to their excessive poverty, the Hon'ble Member's predecessor, Sir Edward Law<sup>1</sup>, once calculated that they paid between 20 and 25 per cent. The only tax from which they are altogether free is the income-tax, and the proceeds of this tax are comparatively small, being under 1½ millions sterling a year. Now these, together with the salt-tax, of which the main burden is admittedly borne by them, and the Opium revenue, which is contributed by the foreign consumer, are our principal heads of revenue, and I repeat there is no justification for the assertion that the salt-tax is the only contribution which the poorer classes in India make to the Exchequer of the State. It may be mentioned that Mr. O'Connor, late Director-General of Statistics, in a paper read by him three years ago, described the poorer section of Indian cultivators as a class that "contributed most largely to the finances of the State." My Lord, I have made these observations, not in a spirit of mere controversy, but because Mr. Morley's pronouncement of last year on the subject of the salt-tax encourages the hope that we may now look forward to the time when this tax may be done away with altogether, and this consummation is not likely to be forwarded if the Hon'ble Member's views in the matter are allowed to pass unchallenged.

### Presentation of Accounts Needs Further Improvement

I am glad to see that my suggestion of last year that, in the general statements of revenue and expenditure, the figures under

1. Finance Member, Government of India, 1900-05.

## BUDGET SPEECH, 1907

[ *At a meeting of the Imperial Legislative Council, held on Wednesday, the 27th March 1907, Lord Minto, the Viceroy, presiding, Gokhale made the following speech on the Financial Statement for 1907-08, presented by Mr. E. N. Baker.* ]

### Further Reduction in Salt Duty Welcomed

My Lord, it is a matter of deep and sincere satisfaction to me that the Government has effected a further reduction in the duty on salt, which will now stand at the uniform rate of Re. 1 per maund both in India and in Burma. In view of the language employed by the present Secretary of State<sup>1</sup> for India, in speaking of this impost last year, such action on the part of the Government has not been wholly unexpected. I only wish the Hon'ble Member had spoken of this reduction with more enthusiasm than he has done. I know my Hon'ble friend holds what may be called orthodox official views on this subject. The Council will remember that last year he told us, in his concluding remarks on the Budget, that he "never believed that the tax pressed with undue severity even on the poor". Again this year he says that "the salt-tax is the only contribution towards the public expenditure that is made by a large number of the people." Now the former statement is contradicted by the rapid rise in the consumption of salt which has taken place in response to each successive lowering of the duty and which the Hon'ble Member himself describes as "remarkable." No one is ever likely to stint himself in regard to a prime necessary of life such as salt, unless driven to do so by sheer inability to buy the required quantity. No one, again, is likely to purchase more of it than he needs, simply because it is cheaper than it was before. And I think that the remarkable expansion of consumption that has taken place since the duty was first lowered in 1903—from 36½ million maunds, the average for three years immediately preceding 1903, to 43½ millions, which is the Hon'ble Member's cautious estimate for the coming year, an increase of nearly 20 per cent. in five years—is conclusive evidence of the fact that a high rate of duty entails serious privation and suffering to the poorer classes of the people. As regards the second statement of the Hon'ble Member, viz, that the salt-tax is the only contribution which the poorer classes make to the Exchequer, with all deference I must

1. see foot-note on p. 95.

that he himself was in favour of the proposal, as the balance of advantage lay in favour of making the suggested change, and that the matter was under consideration. I am, therefore, disappointed to find that the old practice is still there, and that there is no indication in the Financial Statement as to what has been the decision of the Government in the matter. The present practice is responsible for a good deal of unnecessary and avoidable misapprehension. Especially is this the case with reference to educational expenditure. Thus, in the Financial Statement, we are told that the educational expenditure for next year will be 2 millions sterling. I understand that out of this about £800,000 will be Local. But there is nothing in the Statement to show this, and one is apt to imagine that the whole amount of 2 millions will come from Imperial and Provincial revenues. Last year Mr. O'Grady, a prominent member of the Labour party, made an inquiry in the House of Commons as to the amount spent in India from the Indian Exchequer on Elementary Education. The Secretary of State's reply, instead of stating the amount spent from Imperial and Provincial revenues—which for 1904-1905 was, according to a return laid by the Home Member on the table of this Council the other day, only £160,000—gave the figure of expenditure from "Public Funds", which necessarily was much larger. Mr. O'Grady, not being satisfied with the answer, put, after a few days, another question asking the Secretary of State to specify how much of that total expenditure from Public Funds came from Provincial and Imperial revenues. The reply to this was that the Secretary of State was not in a position to state the amount, but that he would make inquiries! Now, my Lord, this is not at all a satisfactory state of things. Surely the accounts of the Government of India ought to show what is the State expenditure on Education apart from Local expenditure. I earnestly trust, therefore, that the suggested separation, which the Hon'ble Member himself regards with favour, will soon be carried out and that the Financial Statement for next year will not be open to criticism on this account.

### Use of Surpluses as Capital Outlay Disapproved

Coming now to larger questions, I find that I must renew my earnest and emphatic protest against the manner in which our surpluses still continue to be expended as capital outlay on Railway construction. My Lord, I have spoken repeatedly on this subject in previous years, but I feel the injustice of the present arrangement so strongly that I must ask the Council to bear with me while I urge once again, as briefly as I can, my reasons why a change of policy is immediately called for in this matter. This is the ninth successive year when a substantial surplus of revenue over expenditure has been

Railways and Irrigation ( Productive works ) should be given net; has been met more than half way in this year's Statement, by the working expenses on Railways being brought over to the revenue side and deducted there from the gross Railway receipts. This is satisfactory as far as it goes, but it does not go far enough, and I think that the Hon'ble Member, having once begun this reform, must now complete it. He still leaves the interest on Railway debt where it was in the accounts. The result is that the figure of Railway revenue, and through it that of our total revenue, continues to be unjustifiably swollen by the amount of this interest, which already stands at about 10 millions sterling and which will increase from year to year as the capital outlay on Railways advances. The Hon'ble Member observes in this connection :

We have left the Interest on Railway debt in its original place : to have brought it over to the Revenue side of the account as a deduction from its gross-receipts would have necessitated a large *minus* entry in the column for revenue accruing in England.

And such a *minus* entry the Hon'ble Member wishes to avoid, as it would be unintelligible to the ordinary reader. But there are *minus* entries in several other places in the Financial Statement, and if the ordinary reader does not mind them, I do not see why he should mind one more. And in any case it is better to be unintelligible than to be unscientific or misleading. Again, the Hon'ble Member has left the figures under Irrigation as they were before. He says :

We have not thought it essential to go so far as the Hon'ble Mr Gokhale suggested and to show the Irrigation-revenue net. I quite admit that the same general principle applies to the Irrigation as to the Railway figures ; but the former are not yet sufficiently large to cause any serious distortion of the true revenue and expenditure of India.

But I would respectfully ask : why allow the figures of true revenue and expenditure to be thus distorted at all ? Moreover, it introduces a new element of confusion if Railway receipts and Irrigation receipts, which are both exactly in the same position, are treated in the accounts in two different ways. In these matters it will not do to alter the prescribed forms repeatedly, as that must make a correct comparative view of the financial position over a series of years extremely difficult. And, therefore, now that the Hon'ble Member has already taken in hand this reform, I earnestly hope that he will not stop half way but will proceed to the end, and place the matter once for all on a proper scientific basis.

Another suggestion which I had ventured to make last year was with reference to the separation of Local revenue and expenditure from Provincial and Imperial. In his reply the Hon'ble Member had stated



amounting to 21 millions, and the loans and advances by the Government stood at 12 millions. Our net debt thus is about 44 millions sterling, or less than two-thirds of a year's revenue. This is almost a paltry figure, compared with the huge debts of European countries, and the position may no doubt be regarded with satisfaction. But it must not be forgotten that such a result has been rendered possible only by throwing on current revenues for a quarter of a century the burden of all manner of extraordinary charges, which in other countries are usually met out of loan funds. The further reduction of this small debt, therefore, is not a matter of urgency and can well wait when the money devoted to it may be far better employed in saving the lives of the people. My Lord, it will not do for the Government to say that sanitation is the concern of Local Bodies and it is for them to find the money required to improve it. Most of our towns are extremely poor and the present distribution of the resources between the Government and Local Bodies is of a most unsatisfactory character. How unsatisfactory it is may be judged from the fact that, while there has been a plethora of money in the Government Exchequer for the last nine years, most of our Local Bodies have all the time been struggling with serious financial difficulties and some of them have been in a state not far removed from bankruptcy. Without substantial assistance, therefore, from the Government in meeting the large capital outlay which modern sanitary works require, Local Bodies will never be able to grapple with the problem of improved sanitation; and to my mind there can be no more desirable object on which the Government might expend its surpluses. The Supreme Government should call upon the Provincial Governments to assist sanitary projects liberally out of their own ordinary revenues, and whenever a surplus is realised, it should, as a rule, be placed at the disposal of Provincial Governments for pushing on the construction of sanitary works. I know there is the standing pressure of the European mercantile community to expend every available rupee on Railways, and these men are powerful both in this country and in England. But, my Lord, the Government must resist this pressure in larger interests, so far at any rate as the surpluses are concerned. Time was, not long ago, when the Government never thought of spending more than four or five crores a year on Railways. And ten years ago Sir James Westland<sup>1</sup> protested sharply against the manner in which programme after programme of Railway construction was being pressed on him in breathless succession. It is true that in those days the Railways were worked at a net annual loss to the State, and that in that respect the position has now undergone a change. Still 13½ crores is a very large amount to spend in any

1. see foot-note 2 on p. 26.

realised, and it is clear that the era of surpluses has not yet come to an end. The total of these surpluses during these nine years stands at the high figure of 37 crores of rupees, or about 25 millions sterling, and nearly the whole of this amount has been spent as capital on Railways. Now a surplus is so much more money taken from the people, either through miscalculation or in other ways, than was needed for the requirements of the Government. And, as it is not possible to return this money to the tax-payers in a direct form, what the Government is bound to do with it is to apply it to purposes which are most calculated to benefit the mass of the people. And the question that we must consider is this: what is the most urgent need of the mass of our people at the present day? Judging from the manner in which the surpluses are applied year after year to Railway construction, one would conclude that, in the opinion of the Government, what the people needed most was a vigorous extension of Railway facilities. Now, my Lord, I respectfully submit that such a view of the situation is not justified by the circumstances of the country. The claims, for instance of Sanitation on the attention of the Government are at the present day infinitely stronger and more urgent than those of Railway construction. Already an enormous sum—no less than 400 crores, or 260 millions sterling—has been spent on Railways in India, while next to nothing has so far been expended on the construction of sanitary works. With so many towns in the country decimated by plague year after year, with cholera and malaria committing their havoc in other parts, with the death-rate of the country as high as 35 per thousand as against 16 per thousand in England, I do not see how the Government can continue to leave Sanitation practically to take care of itself. Let the Council consider what difference it would have made to the country, if the surpluses of the last nine years—37 crores of rupees—had been devoted to sanitary works instead of to Railway construction! My Lord, we all know that, by spending the surpluses as capital on Railways, the Government is able, in the final adjustment, to reduce by a corresponding amount the unproductive debt of the country. And it may be contended that though the surpluses are in the first instance devoted to Railway construction, they are in the end virtually utilised for the reduction of debt. My answer to this is that our debt, by which I mean the unproductive debt of the country—for that is the only real debt—is so small in amount that its further reduction is not an object of much importance. Taking the year 1904-05, we find that this debt then stood at the figure of 60 millions sterling. The "other obligations" of the Government of India, such as Savings Banks deposits, Service Funds, and so forth, amounted in that year to 17 millions. Against this there were cash balances in the Treasuries, here and in England,

and more ambitious view to the front and spoke of the time when the rupees would have to be converted into sovereigns. Again, as regards the amount that is required for ensuring stability of exchange, different statements have been made by different authorities. Lord Curzon said that 10 millions sterling would suffice for the purpose. Sir Edward Law put the limit at 20 millions. The Hon'ble Mr. Baker has put it still higher. In 1905 the Hon'ble Member said :

I should like to see it ( the Fund ) raised to such a figure as would enable us, in the event of extreme and continued emergency, to reduce the Secretary of State's drawings by one-half for three years in succession, *i. e.*, to something between 20 to 30 millions sterling.

Now, my Lord, all this is somewhat confusing, and the Hon'ble Member will recognise the necessity of making a full and definite statement of the intentions of the Government both as regards the purpose which the Fund is to serve and the limit up to which it is to grow. This is the more necessary because the Fund was created under mere executive sanction without having recourse to the authority of the Legislature, and also because the annual profits from coinage are now far larger than had been anticipated. I think the Government ought to adhere to the idea of the Fund merely serving as a guarantee for the maintenance of a stable exchange. In that case, even the high limit contemplated by the Hon'ble Member would soon be reached and the profits from coinage—a matter now of five or six crores a year—would be available before long to be employed more usefully than at present. On the other hand, if the more ambitious purpose avowed by the Hon'ble Member last year is to determine the policy of the Government, no limit can be foreseen to the accumulation of the Fund. Such a course, in my humble opinion, would not be justified, and I would venture to urge the following objections against it :

(a) That a gold currency for India has never been authoritatively proposed as a definite object to be attained. A stable exchange at a reasonable rate is all that successive authorities have sought to ensure.

(b) That it is wrong to pile up a huge gold reserve in pursuit of an object never proposed, or defined, or even regarded as attainable *within a measurable distance of time*.

(c) That it is looking too far ahead into the future to anticipate the introduction of a gold currency into India.

(d) The present margin between the value of bullion and the token value of the coin will not suffice to ensure the conversion of rupees into gold; for the moment demonetization is proposed, silver will be depreciated still further.

one year on Railways, and yet the Hon'ble Member has thought it necessary to be apologetic in making the announcement! My Lord, I have no objection to the Government using its borrowing powers as freely as possible to push on Railways, which now rest on a sound commercial basis. But it seems to me most unfair that the loans thus raised should be supplemented by the proceeds of taxation. Moreover, judging from certain observations made by the Hon'ble Member last year, I believe that another resource, and that a large one, will probably be soon made available for Railway construction, and that will be a strong additional ground for devoting surpluses in future years to the improvement of sanitation.

### Necessary to Clarify Purpose and Limit of Gold Standard Reserve

This resource is the profit now annually realised by the State from the coinage of rupees. For the current year it has amounted to the large sum of 4 millions sterling or 6 crores of rupees. Last year it was nearly as large, being 3½ millions sterling or 5½ crores. Hitherto these profits have been allowed to accumulate at compound interest, and this Fund, which will in future be known by the name of the Gold Standard Fund, stands at present at over 16 millions sterling. I think, my Lord, the public has a right to ask that the Government should now state definitely what limit they propose to assign to this fund, and how the profits from coinage will be dealt with when that limit is reached. This is necessary in view of the fact that the statements hitherto made on this subject by those in authority have been more or less vague, and, in some respects, even conflicting. Sometimes the purpose of the fund has been stated to be merely the ensuring of the stability of exchange, and sometimes the much more ambitious purpose of preparing for a gold currency has been avowed. When the fund was first constituted in 1900, it was in accordance with a recommendation of the Fowler Committee<sup>1</sup> of 1898—a recommendation which had been made with a view to the maintenance of a stable exchange. In 1901-03 Sir Edward Law, in speaking of the Reserve, leaned to the view that it would serve as "a guarantee for the conversion into gold, if required, of the Rupee token coinage." Lord Curzon, however, merely described it as a means of maintaining the exchange value of the rupee at 1s 4d. In 1902-03 Sir Edward Law again referred to this Fund, and this time he also stated its purpose to be the maintenance of a stable exchange. In 1904 Lord Curzon reaffirmed the same view. In 1905 the Hon'ble Mr. Baker also gave this view prominence in his statement. Last year, however, the Hon'ble Member pushed the other

1. Committee appointed by the Secretary of State with Sir Henry Fowler as Chairman to consider the problem of Indian Currency.

his speech last year on this subject that there were few things which Englishmen had reason to regard with less pride than this. The only practical question now is, how to put an end to this morally indefensible traffic with the least derangement in our finances? It has been suggested in some quarters that the British Exchequer should make a grant to India to compensate her for the loss of revenue which would be entailed by the extinction of this traffic. Now, apart from the fact that there is not the slightest chance of England making such a grant, I think the proposal is in itself an unfair one and ought to be strongly deprecated. No doubt there are important questions like the Army expenditure, in regard to which India has to bear serious financial injustice at the hands of England. Then the cost of the civil administration ought to be substantially reduced by a large substitution of the Indian for the European agency in the public service. And if only justice were done to us in these matters, we could let the whole Opium revenue go at once and yet not feel the loss. But these questions have to be fought on their own merits and they must not be mixed up with this Opium question. So far as the Opium revenue is concerned, whatever may be the measure of England's responsibility in forcing the drug on China, the financial gain from the traffic has been derived by India alone, and we must, therefore, be prepared to give up this unholy gain without any compensation from anybody—for that would be only another name for charity—when in the interests of humanity this wretched traffic has got to be abolished. Of course we have a right to urge, and we should urge, that we must be allowed to spread our loss over a certain number of years—say ten years—so that our finances should not be suddenly disorganised. That would be a fair position to take up, and we should have there the support of all right-minded people. But the traffic itself must go and we must cheerfully co-operate in any reasonable scheme for its final extinction.

### (iii) Reduction in Army Reorganisation Grant

My Lord, I am glad to see that the special grant of over two millions a year for the Army Reorganisation scheme has been reduced this year by half a million sterling. Considering that the money comes out of the iron grip of his Excellency the Commander-in-Chief, I think we have reason to feel thankful even for this small reduction. Of course since the total initial outlay on the scheme is a fixed sum, this reduced grant only means that the execution will be spread over a longer period than the five years originally contemplated. Still it sets free for purposes of internal improvement a sum of half a million sterling a year out of current revenues. The Hon'ble Mr. Baker

(e) Even on the Hon'ble Member's assumption the Reserve can suffice only for the conversion of rupees coined since 1900. The stock of rupee coin of previous years—estimated at about 130 crores by Mr. Harrison, the expert—will not be covered by it.

I trust the Hon'ble Member will set all doubts in the public mind at rest by making a definite announcement of the intentions of the Government in the matter, if not in the course of this debate, at any rate in the Financial Statement of next year.

#### Four Gratifying Features of the Budget : (i) Arrangement to Meet Provincial Famine Expenditure

My Lord, besides the reduction of the salt-tax, there are four other interesting and gratifying features in this year's budget. They are the new arrangement for meeting Provincial Famine expenditure, the prospect of an abolition of the Opium traffic, the reduction by half a million sterling of the special annual grant for Army Reorganization, and the announcement made on the subject of Free Primary Education. Of these the first does not require more than a passing reference. I think the scheme outlined by the Hon'ble Member is an equitable one and ought to work well in practice. I only hope that the commendable liberality with which the Imperial Government has treated Provincial Governments in this matter will be extended by the latter in their turn to Local Bodies, and that these bodies, whose resources, even in prosperous years, are meagre and inelastic, will now be relieved of all responsibility for famine relief altogether. This responsibility was thrust on them when the Government of India itself had to struggle, owing to falling exchange and other difficulties, with a state of chronic deficits. Now, however, that the very tradition of a deficit has been forgotten, no time should be lost in definitely freeing Local bodies from a burden which should never have been imposed on them.

#### (ii) Prospect of Abolition of Opium Revenue

My Lord, I have read with sincere pleasure the important statement which the Hon'ble Member has made on the subject of the Opium revenue, coupled as it is with a reduction in the area under cultivation for the ensuing year. I confess I have always felt a sense of deep humiliation at the thought of this revenue, derived as it is practically from the degradation and moral ruin of the people of China. And I rejoice that there are indications of a time coming when this stain will no longer rest on us. I have no wish to go today into the historical part of this melancholy business. The Secretary of State admitted freely in

those who have to bear the burden, but have hardly any share in the privileges of the present arrangement. Lastly, there is a standpoint which in a way comprehends or should comprehend all these three, though not necessarily in the same degree, and that is the standpoint of the Government of India. Now, my Lord, when we, the Indian members of this Council, speak at this table on this question, we necessarily approach it from the Indian point of view. It is to express that view that we are here, and though we know that our voice is weak and that what we say is not likely for a long time yet to influence the practical decisions of the Government, that does not absolve us from what is after all our duty to ourselves in the matter. We should be guilty of presumption if we extended our remarks to technical details relating to the Army, on which we are not qualified to express an opinion. But there are certain broad questions of policy—also questions connected with the progress of humanity—which all men of average intelligence may claim to understand and discuss. My Lord, I do not believe that any serious war cloud is likely to appear on our horizon in the near future. I am fortified in this opinion by the high authority of Mr. Balfour and Mr. Haldane. The triumph of Japan in the late war and the gradual waking up of China and even of Persia—these, if not the overthrow and exhaustion of Russia, are bound to discourage European aggression in Asia for many years to come. Moreover, wars between the great Powers of Europe—and the only war that can touch us is one between England and Russia—are daily growing less and less likely. A comparison of the history of Europe in the nineteenth century with that in the eighteenth will show in what direction things have been moving. And the twentieth century is bound to be even better than the nineteenth. The people in Europe are no longer mere pawns on the chess-board of Kings and Ministers. And they are realising more and more what horrors a war means to them. I think, therefore, that India may well ask to be relieved now of a part of her present Army expenditure. Further, the injustice of the present arrangement, whereby a disproportionate share of the cost of military defence of the whole Empire is thrown on her, must be remedied. Then, the status of the Indian officers in the Army, which at present is admittedly most unsatisfactory, must be improved, and higher careers thrown open to them. Lastly, the wrong inflicted on all classes of the Indian community indiscriminately by keeping them compulsorily disarmed—thereby slowly crushing all manhood out of a whole race—must be cautiously but steadily set right. My Lord, I have spoken time after time on these subjects in this Council, and last year his Excellency the Commander-in-Chief, with perhaps a touch of impatience, observed

that he had heard my arguments and assertions every year for three years. But, my Lord, is it *my* fault that these things have to be pressed again and again on the attention of the Government? If his Excellency would like to hear less of the complaints, the remedy lies to a certain extent in his own hands. A way must be found out of the present situation, which is no doubt difficult and delicate, but which must not be allowed to continue as it is, simply because it is difficult and delicate. Otherwise his Excellency may raise the Army to the highest pitch of efficiency, and yet he will have left the larger military problem in India as unsolved as ever.

#### (iv) Beginning of Free Primary Education

I now come to what is in some respects the most gratifying feature of the present budget — I mean the statement which the Hon'ble Member makes on the subject of Free Primary Education. The statement is brief, but it says enough to indicate clearly the resolute purpose that lies behind it. My Lord, the whole country has reason to feel grateful to your Lordship's Government for taking up this question in this earnest spirit. The circular letter of November last and this paragraph in the Financial Statement, taken together, leave no doubt in my mind that before the budget for next year is presented, primary education will have been made free throughout India; for I cannot imagine any Local Government standing in the way of the adoption of this measure, since the Government of India is going to find all the money required for it. I am sure we owe much in this matter to the Hon'ble Mr. Baker's active support of the cause. I cannot help recalling that last year when this question was raised in this Council, my Hon'ble friend expressed his sympathy with the proposal in most cordial terms.

"I have," he said, "the keenest sympathy with every one of the objects on which the Hon'ble Member desires to see public money expended. In particular, I am greatly interested in his proposal for making primary education free with the intention of ultimately making it compulsory. I hope and believe that some great scheme of this nature will eventually be carried into execution."

This was in marked contrast to the reception which the appeal met with at the hands of another member of Government, who, by what must now be described as an irony of fate, then presided over our Education Department and who was therefore the responsible spokesman on behalf of the Government on the subject. Sir Arundel Arundel<sup>1</sup> expressed himself in the matter thus :—

<sup>1</sup> Member, Viceroy's Executive Council, 1901-05.



I understand the Hon'ble Mr. Gokhale to advocate universal free primary education throughout India. That would be a large order.

And the utmost that he could bring himself to promise was that the aspiration for free primary education would be "kept in view as the distant peak to be one day attained while the work of the present must be slow progress along the plain." What was, however, 'a large order' in March became a very reasonable order in November, so reasonable indeed that the circular letter addressed to Local Governments on the subject showed unequivocally that the Government of India had already made up its mind to adopt the measure. The incident serves only to emphasise the necessity of entrusting the Educational portfolio to such members as feel some enthusiasm for the subject. My Lord, now that the Government has advanced as far as free primary education, I earnestly trust that no long interval will be allowed to elapse before the next step is taken, viz., that of making a beginning in the direction of compulsory education. If His Highness the Gaekwar of Baroda<sup>1</sup> has found it practicable to make primary education compulsory in his State, I cannot understand why the British Government should not be able to overcome the difficulties that lie in its path. The best plan, as I urged last year, would be to confer powers, in the first instance, on Municipal Corporations in cities with a population of, say, a hundred thousand and over, to introduce compulsion for boys within their areas, the Government of India finding the funds required. The area of compulsion may then gradually be extended, till at last in twenty years or so, primary education should be compulsory in the country for both boys and girls. My Lord, we are already so far behind other civilised nations in this matter that no further time should be lost in making such a beginning. As an eminent German Professor points out, no real economic or social development of a people is possible without the education of the masses. Such education is "the foundation and necessary antecedent of increased economic activity in all branches of national production, in agriculture, small industries, manufactures and commerce;" it leads to a more equal distribution of the proceeds of labour; and it ensures a higher level of intelligence and a larger capacity for achieving social advance among the people. It is impossible to overestimate the importance of this question in the present state of India.

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1. *Maharaja Sayaji Rao Gaikwad*, Ruler of Baroda State, (1863-1933). His State took the lead in the whole country in introducing compulsory primary education, first as an experimental measure, in Amreli District (1893) and later extending it to the whole State (1906); the separation of judicial and executive functions was another important reform carried out by him.

## Association of Indians with Country's Administration

My Lord, I have so far dealt with various questions arising out of the Financial Statement which the Hon'ble Member has laid before the Council. The question, however, that, in my humble opinion, transcends all others in importance at this moment is how to associate the people of this country with the administration of their own affairs, so that their growing estrangement may be prevented, and, while their self-respect is satisfied on one side, the bond between them and the Empire may be strengthened on the other. The Englishman who imagines that India can be governed much longer on the same lines as in the past, and the Indian who thinks that he must seek a destiny for his country outside this Empire, of which now, for better or worse, we are a part — both alike show an inadequate appreciation of the realities of the present situation. The main difficulty in regard to this association arises from the fact that the government of this country is really in the hands of the Civil Service, which is practically a caste, with all the exclusiveness and love of monopoly that characterise castes. My Lord, I am speaking in the presence of so many distinguished members of that Service, and I respectfully trust I shall not be considered guilty of rudeness in making these observations. These men, who give on the whole a high average of work, and who moreover feel conscious that they are doing their best, are naturally satisfied with their position, and they expect us to be satisfied with ours. And as they happen to be practically the sole advisers of both the Viceroy and the Secretary of State, no reform which they do not approve has, as a rule, any chance of being adopted. Of course there are exceptions, but I am speaking now of the Service as a class. In a general way they seem to recognise that some advance is now necessary, but when you come to a discussion of different measures of reform, a majority, though not necessarily composed each time of the same individuals, is to be found arrayed against every reform that may be proposed. Thus, if it is urged that judicial and executive functions should now be separated, you will be told that that will not do as that will weaken the executive power. If you say that the Viceroy and the Secretary of State should have among their official advisers one or two Indian gentlemen, the suggestion is resisted on the ground that the confidential character of the deliberations in the two Councils will no longer be assured. If you propose that the Legislative Councils should be expanded and improved and they should be entrusted with some degree of power to exercise a check over the financial and general administration of the country, the objection is raised that such a reform will strike at the root of the very constitution of the Government, which, as the Secretary of State said last year,

must continue for as long as one can see autocratic and personal. If the reform suggested is that Municipal and Local Boards should now be made purely non-official bodies, freed from all immediate official control, the answer will be that Local Self-Government touches intimately the interests of the mass of the people, and you cannot allow its efficiency to be lowered. And thus we move round and round the fortress of official conservatism and bureaucratic reluctance to part with power without being able to effect a breach at any point. My Lord, this kind of thing has now gone on for many years, with the result that the attitude of the public mind towards the Government—'opinion', as Burke calls it, which is of greater importance than laws or executive power in maintaining order—has undergone a steady and, of late years, even a rapid change. Since last year, the impression has prevailed that the Government has at last decided to move forward and that important concessions are contemplated. I earnestly trust that this impression is well-founded. I trust also that the proposed reforms, when announced, will be found to be substantial and conceived in a generous spirit. My Lord, it is of importance that there should be no unnecessary delay in this matter. The public mind is in a state of great tension, and unless the concessions are promptly announced and steps taken to give immediate effect to them, they will, I fear, lose half their efficacy and all their grace. The situation is an anxious, almost a critical, one, and unless the highest statesmanship inspires the counsels of the Government, difficulties threaten to arise of which no man can foresee the end.

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the accounts of the Government of India. But as the Provincial Governments have during the year depleted their balances by about  $1\frac{1}{2}$  crores, the net result of the year's revenue and expenditure transactions for the country as a whole is a deficit of about 115 lakhs and not a surplus of 35 lakhs. Again, though Mr. Clinton Dawkins had estimated the surplus for 1900-01 at about 24 lakhs, the actual surplus realised at the end of the year turned out to be over  $2\frac{1}{2}$  crores, or ten times the modest figure budgeted for, and this after spending over  $6\frac{1}{2}$  crores on famine relief. On the other hand, the Hon'ble Member provides only 130 lakhs for famine relief during the coming year and he budgets for a surplus of 85 lakhs, against which we have a further depletion of cash balances by Provincial Governments to the extent of 79 lakhs. This does not show that the financial position today is stronger than it was eight years ago. Of course, the level of taxation has been lowered since 1900, but that does not alter the real character of the comparison.

There is one observation of the Hon'ble Member on the subject of this year's famine to which I deem it necessary to take strong exception. The Hon'ble Member points out that the number of those who are in receipt of State relief this year is smaller than on the last two occasions, and he regards it as a reasonable conclusion that this is partly due 'to the greater resisting powers of the people'. Now, my Lord, I think the facts which the Hon'ble Member himself mentions in his statement, viz., that the failure of crops has been less extensive and less complete this time than in 1897 or 1900, and that takavi advances have been made far more liberally and far more promptly than before, are in themselves quite sufficient to explain the difference in the number of applicants for State relief. Considering the extent of the area affected, the depth of the distress caused, and other circumstances of this year's famine, I venture to think that one and a half millions is not at all a small number to be in receipt of State relief at this time of the year. I can assure the Hon'ble Member that no one will be better pleased than myself if the Government of India will order a regular and careful enquiry into the condition of a few typical villages so as to ascertain whether 'the resisting powers of the people' are increasing or diminishing. The Famine Union in London has been demanding such an enquiry for a number of years and not a few distinguished names in England have associated themselves with this demand. But the Government of India, for reasons best known to itself, shrinks from such an investigation. That being so, I think the Hon'ble Member is not entitled to deduce such a conclusion from such slender premises in so important a matter. The Famine Commission of 1893<sup>1</sup> tried, in the course of their enquiries, to collect some evidence on this subject. And

1. see foot-note 1 on p. 14.

their conclusion, which, I think, still holds good, is, worth quoting. After referring to certain classes whose condition, in the opinion of the Commission, had probably improved, they observe :

Beyond these classes, there always has existed, and there still does exist, a low section of the community living a hand-to-mouth existence, with a low standard of comfort and abnormally sensitive to the effects of inferior harvests and calamities of season. This section is very large and includes the great class of day labourers and the least skilled of the artisans. So far as we have been able to form a general opinion upon a difficult question from the evidence we have heard and the statistics placed before us, the wages of these people have not risen in the last twenty years in due proportion to the rise in prices of their necessities of life. The experience of the recent famine fails to suggest that this section of the community has shown any larger command of resources or any increased power of resistance. Far from contracting, it seems to be gradually widening, particularly in the more congested districts. Its sensitiveness or liability to succumb, instead of diminishing, is possibly becoming more accentuated, as larger and more powerful forces supervene and make their effects felt where formerly the result was determined by purely local conditions.

As regards small cultivators who, after this class, suffer most from famine, I do not believe they have as yet had time to recover from the terrible effects of recent famines. It should be remembered that the losses of the peasantry during the last two famines in crops and cattle have been estimated at 300 crores of rupees. In Bombay, during the last twelve years, only two years have been free from any expenditure on direct famine relief. The Central Provinces have fared almost as badly. In the United Provinces the present famine comes after only a year's respite to the people, as the year before last was also a year of famine. In Bengal,

general attention, and I was glad to hear the Hon'ble Mr. Miller<sup>1</sup> state the other day in reply to a question by my friend Mr. Chitnavis,<sup>2</sup> that the Government was considering the advisability of referring the whole question to a Committee for inquiry. I earnestly trust that a strong Committee will be appointed and that as early as may be practicable; for apart from the distress which high prices must cause to those whose incomes do not rise with the rise in prices, the situation suggests certain disquieting considerations, which require a close and careful examination. It seems to me, my Lord, that the phenomenally heavy coinage of new rupees during the last few years by the Government has something to do with this general rise in prices. Really speaking, the artificial appreciation of the rupee by the currency legislation of the Government should have brought about, after things had time to adjust themselves on the new basis, a general fall in prices in this country. In the first few years after the closing of the mints to the free coinage of silver, this tendency was counteracted by a succession of famines and scarcities, and probably in a smaller measure by hoarded rupees having come into circulation. Latterly the general rise, which has taken place in the gold prices of commodities all over the world, has no doubt helped to raise prices in India. But this can account for only a part of the rise that has taken place in this country, and we must look for other causes to explain fully the extraordinary phenomenon we have been witnessing for some time past. I think some light is thrown on the problem by an examination of our coinage statistics. The following figures give the annual average of rupees coined, *minus* old rupees recoined by the Government of India, for each decade from 1834 to 1893, when the mints were closed to the free coinage of silver, and for the years following the passing of the Act of 1899, when coinage operations on a large scale were again resumed. The period from 1894 to 1899 is omitted because, during the first three years of that period, no new rupees were coined at all, and during the next three a very small number—only about two crores in all—was coined.

Period (annual average for)	Crores
1835-44	2.2
1845-54	2.4
1855-64	3.2
1865-74	4.8
1875-84	6
1885-93	8.3
1900-04	8.3
1905-07	20.7

1. Member, Governor-General's Executive Council, 1907-10.

2. Mr. (later Sir) G. M. Chitnavis (1863-1929) who represented the landholders of the Central Provinces in the Imperial Legislative Council.

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#### Rise in Prices a Cause for Anxiety

My Lord, the high prices, which have been ruling in the country for some time past, independently of the present famine, and which have caused acute and widespread suffering, have naturally attracted



foreign products. Whether the foundations of the currency system will be involved in the general disturbance that will thus be caused, it is difficult to say. But it is not improbable that an economic crisis, causing great suffering to large numbers of people, may arise, necessitating urgent remedial action at the hands of the State.

### Incidence of Salt Duty in India Compared to Other Countries

The Hon'ble Member gives an interesting table in his statement to compare the incidence of the salt duty in this country with what it is in some European countries. Now, in this matter of the salt-tax, the people of this country will always remember with feelings of gratitude the Hon'ble Member's tenure of office as Finance Minister, for he has given us two successive reductions of the salt-tax, which is more than any of his predecessors ever did. But though his hand has given us the relief, his head, if he will permit me to say so, seems still to be under the influence of orthodox official ideas; and in the table compiled by him, I detect a lingering feeling of regret that the Government should have sacrificed so much revenue to lower a duty which, after all, did not press heavily on the people! Now, in the first place, it is necessary to remember that our complaint about the burdensome nature of the salt-tax was with reference to the old level of the duty and not its present level. Secondly, before the Hon'ble Member's comparison can pass muster, it is necessary that he should give us separately the rates of the excise-duty and the import-duty on salt in those countries which he mentions; for when a country has a strongly protectionist fiscal system, heavy import-duties may exist side by side with light excise-duties. And, thirdly, to gauge correctly the comparative pressure of a tax in different countries, we must take into account not merely the amount of the tax paid per head in each country, but also the rate of that amount to the average income per head. So judged, the salt-tax will be found even today to press more heavily on the people of India than any other people, except those of Italy, as the following table will show. In this table I have taken the figures of average income per head for the five European countries mentioned by the Hon'ble Member from Mulhall's Dictionary of Statistics. For India I have taken Lord Curzon's figure, though it is clearly an overestimate :

Country	Annual income per head	Salt-duty per head in terms of a day's income.
	£	£
France	25.7	$\frac{1}{2}$ day's income
Germany	18.7	1 day's ..
Italy	12	4 days' ..
Austria	16.3	$1\frac{1}{2}$ days' ..
Netherlands	26	$\frac{1}{2}$ day's ..
India	2	2 days' ..

I have not been able to obtain the figures of rupees recoined during the last period, i.e., from 1905 to 1907. I do not think, however, that these figures have been large and the deduction to be made on their account from the average will not, I believe, be substantial.

Prior to 1893, the melting back of rupees into silver by those who needed silver prevailed on a large scale in the country, and it has been estimated that about 3 crores of rupees must have been so melted annually. Since the currency legislation of 1893, this melting has had to cease, owing to the great difference between the token value and the intrinsic value of the rupee. The stock of rupees in existence in India before 1898 was estimated by Mr. Harrison, the expert, at 130 crores. During the last ten years, the Government has made a net addition to this stock of over 100 crores. It seems to me that such a sudden inflation of the country's currency is bound to result in a general rise of prices. It may be said that, in view of the great expansion of trade during the last few years and of the increased industrial activity of the country, such augmentation of the currency was necessary. A reference to trade returns, however, does not support this view. During the twenty years preceding the closing of the mints, our exports of merchandise advanced from 54 crores to 106 crores, i. e., doubled themselves, and yet the average annual coinage only advanced, as shown above, from 6 crores to 8.3 crores during that time. Again, from 1894 to 1904, the exports rose from 106 crores to 157 crores, but the annual average coinage for the five years ending 1904 was just the same as that for the eight years ending 1893, viz., 8.3 crores. It is, therefore, difficult to see why the average should have suddenly gone up from 8.3 crores to 20.7 crores during the last three years. What is probably happening is this. The rupees issued by the Government in response to the demands of trade go into the interior and spread themselves among those from whom purchases are made. But, owing to various circumstances, they do not flow back quickly to centres of trade or to banks, and thus new rupees have to be obtained for transactions for which old rupees might have sufficed. Meanwhile, the melting back of rupees into silver having ceased, every issue becomes a net addition to the volume of the currency. If this analysis of the situation is correct, it suggests a grave problem, for it means that prices will tend to rise still further. One effect of these high prices, due to a heavy augmentation of the currency, will be to discourage exports and to encourage imports. Another effect will be that whatever gold there is in general circulation in the country—I understand that it is about 12 millions—will be drained from the country. A third effect will be that the cost of production will rise owing to a rise in the cost of living and this will place indigenous industries at a disadvantage in their competition with

Since the Hon'ble Member is in a mood to appreciate comparisons between India and European countries, I venture to present to him another table, and I respectfully trust that he will find it not only interesting, but also instructive! It is a table giving the State expenditure on education in the five countries selected by the Hon'ble Member for comparison and in India.

Country.	State expenditure on education per head.			
	s. d.			
France	...	...	...	5 4
Germany	...	...	...	4 0
Italy	...	...	...	1 8
Austria	...	...	...	2 4
Netherlands	...	...	...	4 3
India	...	...	...	0 1½

### Changes in Presentation of Accounts Suggested

My Lord, I am glad that the accounts of the Local Boards have at last been separated from those of the Government in the Financial Statement. I wish the Hon'ble Member had at the same time carried further his reform of last year of dealing with Railway and Irrigation figures. He admits the anomaly of treating the two sets of figures differently. He admits also that it would be desirable to deduct the amount of interest from these figures from both revenue and expenditure sides. But he fights shy of a large minus entry which would result from the adoption of this course, though there are minus entries in several other places in the Financial Statement. Well, I can only hope that some future Finance Member will take a different view of the matter. Strictly speaking, it is not only Railways and Irrigation, but also Post, Telegraphs and Mint, that is, all our commercial and quasi-commercial services, that must be taken net, if an erroneous idea of our real revenue and expenditure is to be avoided. Also, Assignments, Compensations, Refunds and Drawbacks must be deducted from the revenue of the major heads, and advances to cultivators and cost of manufacture in connection with opium must be deducted from the so-called Opium revenue. And on the expenditure side the Interest on Ordinary Debt must be taken net. I venture to think that if our accounts are presented in this manner, they will convey a far more correct idea of our real revenue and expenditure than is done at present. Thus re-arranged, the figures of the Budget for the coming year will appear as follows :

famine conditions pass away and normal times return. Even as it stands, the grant marks a substantial improvement on the existing situation, as may be seen from the following figures which I have been able to obtain through the courtesy of the Hon'ble Sir Harvey Adamson<sup>1</sup>. These figures show the amounts contributed by the several Provincial Governments out of Provincial revenues as grants-in-aid to Municipalities towards capital outlay on drainage and water-works during the last five years, i. e., from 1902-1903 to 1906-1907 :—

Province				Total amount in rupees in five years		
Madras	...	...	...	...	6,47,000	( exclusive of 3 lakhs given to the city of Madras.)
Bombay	...	...	...	...	nil	
Bengal	...	...	...	...	1,05,400	
United Provinces	...	...	...	...	5,68,235	
Punjab	...	...	...	...	2,35,000	
Butma	...	...	...	...	1,58,000	
Eastern Bengal and Assam	...	...	...	...	14,000	
Central Provinces	...	...	...	...	41,000	
North-West Frontier Province	...	...	...	...	nil	
Total for all the Provinces in five years				...	17,68,635	

This gives us an annual average of  $3\frac{1}{2}$  lakhs a year for the whole country and contrasted with it the Hon'ble Member's 30 lakhs a year is almost a liberal provision ! It may be noted that during these same five years, while the Government contributed a mere pittance of  $17\frac{1}{2}$  lakhs towards the sanitation of our towns, which are being decimated by annual visitations of the plague, his Excellency the Commander-in-Chief was able to obtain for military charges a sum of about 27 crores above the level of the military expenditure of 1901-1902; and nearly 60 crores were spent as capital outlay on railways, of which one-third, or over 19 crores, was found out of current revenues. My Lord, this treatment of sanitation, as though the Government had no responsibility in regard to it, has hitherto been one of the most melancholy features of the present scheme of financial decentralisation, under which sanitation has been made over to local bodies as their concern, though they have admittedly no resources for undertaking large projects of improvement. The analogy of England is often quoted to justify this arrangement, though on the same analogy our railway construction should have been left to private enterprise, but it is not. My Lord, our mortality stati-

1. The then Home Member, Government of India.

stics are ghastly reading. The officially recorded death-rate has steadily increased during the last twenty years from 28 per thousand to over 36 per thousand. It was about 28 during the first quinquennium, 1886-1890; from that it advanced to nearly 30 during the second quinquennium, 1891-1895; from there to 32.5 in the third quinquennium, 1896-1900; and from that to 33.5 in the fourth, 1901-1905. For the year 1905—the last year for which figures are available—it was 36.14, being even higher than for the year 1897, when the country was devastated by one of the greatest famines of the last century. It is significant that during this same period of twenty years, England has succeeded in bringing down her death-rate from 20 to 15.5 per thousand. Again, taking only our urban areas, we find that the rise in the death-rate from 1896—the year immediately preceding the appearance of plague in the country—to 1905 has been from 36.5 to 41.7. Last year His Majesty the King-Emperor was pleased to send a gracious message to the people of this country sympathising with them in their sufferings from plague. Your Excellency, too, made a most feeling reference to the ravages of plague in the course of your last budget speech. My Lord, may we not hope that the Government will in future show greater recognition of the claims of sanitation on the resources of the State than it has done in the past, as no real improvement in public health is to be expected, unless vigorous efforts are made throughout the country to push on sanitation? Three years ago I urged in this Council that at least one million sterling a year should be provided by Government to assist Municipal bodies in the construction of drainage and water-works. I earnestly trust that the amount will be forthcoming before long. It is really a modest demand, considering the interests involved and considering also the requirements of the situation.

### Surpluses Should Be Used Only for Welfare Schemes

In this connection it is a matter of deep regret to me that I cannot persuade the Hon'ble Member to see the reasonableness of my suggestion as regards the utilisation of our surpluses—at least of a portion of them—for promoting sanitation. I do not propose to repeat today my arguments in favour of such a course, as I have urged them again and again, in this Council with, perhaps, wearying iteration. But there is one misapprehension of the Hon'ble Member about which it is necessary to say a word. He thinks that as a surplus is in the nature of a wind-fall and entirely uncertain, to make allotments out of it towards sanitary projects would involve wastage, as works may have to be stopped after being undertaken, if one surplus is not followed by another surplus; and he says that this would be unsound finance. I do not, however, see why there need be any stoppage of works or any wastage. My

proposal would work as follows:—Suppose there is a surplus of 2 millions one year and suppose it is decided to devote it to sanitary improvements. The different Provincial Governments will receive allotments out of it, which they will temporarily hold as part of the Provincial balances. They will have before them a programme of sanitary projects and they will offer assistance out of the allotment to such of them as appear to them to be the most urgent. It should be laid down that no assistance should be offered unless the whole of the money required to meet the liability is there in the balances or can be provided partly out of the allotment and partly out of Provincial revenues. When a second surplus is realised and fresh allotments are received, other projects can be taken up for assistance in the same way. If there is no surplus to allot, no harm is done. These surplus allotments may be in addition to the regular annual grant. I do not see what is there that is unsound in such a course. On the other hand, I cannot help regarding the present practice of devoting surpluses to railway construction—which means investing them as capital—as unjust to the taxpayers and wholly indefensible. What will the Hon'ble Member think of a man, who, while his children are sickening and dying, neglects to improve the sanitation of his house and uses whatever money he can spare out of his income for purposes of investment? And yet this is precisely what the Government of India has been doing all these years. Our railways, on which already 400 crores of rupees have been expended, rest on a commercial basis. They are remunerative as a commercial undertaking and they should be constructed only out of borrowings. Surpluses are so much more revenue taken from the people than was necessary for the requirements of the Government. As it is not possible to return a surplus directly to the people, it should be spent in meeting non-recurring expenditure most urgently needed for their welfare. Such expenditure today in this country is expenditure on sanitary improvements. The Hon'ble Member proposes to devote to railway construction a sum of 1½ millions sterling out of cash balances during the coming year. This raises the question whether there should not be a definite limit to cash balances. If in fat years larger cash balances than are really required are to be built up out of current revenues and in lean years they are to be drawn upon for railway construction, it really means finding money for capital outlay on railways out of the proceeds of taxation, whether the years be fat or lean. The question was carefully considered by the Government of Lord Northbrook<sup>1</sup>, and the conclusion arrived at was that 13½ crores should suffice as cash balances. Since then Furma has been added and the

1. Viceroy and Governor-General of India, 1872-1876.

normal level of expenditure has also risen considerably. Still cash balances, ranging between 25 and 30 crores, appear to be unnecessarily large and may, I think, be brought down to a lower level.

### Reduce Overgrown Military Expenditure

My Lord, I think the country has a right to complain that the conclusion of the Anglo-Russian Convention, which has been acclaimed by its authors as a great triumph of diplomacy, has made no difference whatever to the people of India, so far as the weight of military charges is concerned. It is true that certain lapsed grants have not been restored to the military budget this year, but that is owing to the difficulties occasioned by the famine and, moreover, they only mean a slight postponement of certain items of expenditure. Two years ago, when I urged a reduction of military expenditure in this Council in view of Russia's collapse in the Russo-Japanese War and the conclusion of the Anglo-Japanese Alliance, your Lordship observed:

Recent events may at first sight appear to justify much of what the Hon'ble Mr Gokhale has said. Russia's reverses in the Far East and our alliance with Japan undoubtedly at the present moment minimise the dangers of our Indian frontier; but I am afraid I cannot follow the Hon'ble Mr. Gokhale in his conclusion that these dangers have disappeared for ever. He has told us that the tide of European aggression in China has been rolled back for good, that the power of Russia has been broken and that her prestige in Asia has gone. I am afraid these are mere assumptions which I can hardly accept. I am afraid I feel much more impelled to consider what effect Russian reverses may have on the pride of a high-spirited military race and I wonder in how long or in how short a time she may feel confident of recovering her lost prestige.

Well, this time it is an agreement with Russia herself that has been concluded and now at any rate there is no justification for regarding Russian aggression on the North-West frontier as anything else than a mere remote possibility. But now I fear another ground is being taken, namely, that in view of the unrest prevailing in the country and the tendencies of thought and utterance among a section of the people, it is not desirable to touch the military expenditure of India. My Lord, all I can say is that such a view of the situation is most unjust to the vast bulk of the tax-paying community in the country. No doubt it is the case all over the world that when military charges have been once allowed to grow, it is extremely hard to get them reduced again. In India, in addition to this general difficulty, there are special difficulties connected with the exceptional nature of the situation. But the general satisfaction that will result from a reduction of our overgrown military expenditure is an important consideration. On the other hand, the retention of the present level of

charges, in spite of the Anglo-Russian Agreement, will probably tend to strengthen those very tendencies which are alleged to stand in the way of a diminution of the country's burdens.

### Larger Allotments for Education Desired

There is one more point that I would like to urge about our financial administration before I close. I think it is necessary that a larger portion of our revenues than at present should be devoted to objects on which the moral and material well-being of the mass of our people ultimately depends. The expenditure on the Army, the Police and similar services may be necessary, but it is a necessary evil, and consistently with the maintenance of a proper standard of efficiency, it must be kept down as far as possible. On the other hand, no State, especially in these days, can expend too much on an object like education. And here, my Lord, I regret to say that the Government is not doing its duty by the people of India. Everywhere else throughout the world the State now accepts it as a sacred obligation resting on it to provide for the free and compulsory education of its children. The Gaekwar of Baroda has recently adopted measures to make this provision for his subjects. What every civilised Government provides for its people, what the Gaekwar is providing in his State, the Government of India must surely provide for the people of British territories. There is no escape from so obvious a duty, and every day's delay is a wrong to the people. We sometimes hear it said that it will be impossible to find money for so vast an undertaking. My Lord, it is not true. The money is there for whatever developments may take place immediately, and it can be found without difficulty as we go along, if the burden is distributed over a number of years and the task taken in hand in a resolute spirit. The Hon'ble Mr. Baker makes an interesting observation in one of the paragraphs dealing with Famine, which throws a flood of light on this point. He says that the loss to the Exchequer of the Government of India—apart from the losses of the Provincial Governments—from this year's famine has been estimated at 3 crores during the year about to close and at 3½ crores in the coming year. As there has been a small surplus in the accounts of the Government of India this year and as the Hon'ble Member has budgeted for another surplus for the coming year, his estimate should carry conviction to the most sceptical mind. My Lord, I repeat the money is there or can be found without difficulty. Only the will has to be there and then we shall not be found merely discussing the difficulties of the problem.

Then, there is the question of technical and industrial education. Half a million sterling for initial equipment and about five lakhs



a year for maintenance charges should give the country an Institute of Technology, almost fit to be included among the great institutions of the world. And the expenditure will return ten-fold to the State *not only in the advance of technical and industrial education in the country, but also in the appreciation and enthusiasm of the people.* I have already spoken of the needs of sanitation.

Lastly, there is the vast problem of agricultural indebtedness. Here, except perhaps for initial experiments, the money for any scheme of relief that may be adopted—if one ever is adopted—will have to be out of loan funds, and there is ample margin for borrowing for such a purpose, as our Ordinary Debt now stands at only about 37 millions sterling.

### Plea for Speedy Political Reforms

My Lord, we are passing through very anxious times. How we shall emerge from this crisis, when it is over, is a question that is occupying all earnest minds in the country today, almost to the exclusion of any other question. There is much in our present situation that is naturally galling to proud and sensitive spirits, and young men, fresh from their books, are coming forward on every side to ask why things need be as they are. As yet they have not permitted themselves to imagine that their interests do not lie on the side of order. But, sooner or later, mere order is bound to appear irksome to those who zealously cultivate the belief that there is no chance of better days for their country as long as existing arrangements continue. They will, *no doubt, discover before long the limitations of their position.* They may even come to recognise that life is not always like writing on a clean slate, and that, in the peculiar circumstances of India, they must range themselves, in spite of the humiliations of the situation, in their own best interests, on the side of order, for without its unquestioned continuance no real progress for their country is possible. My Lord, many things have happened during the last three years which have had the effect of swelling the ranks of these men. Even the feeling of love and reverence, with which, as a great teacher, the philosopher-statesman at the India Office was regarded by successive generations of educated Indians and which was really an asset of value to British rule when he took charge, has helped to add to the difficulties of the situation. That feeling has given way to a sense of irritation and disappointment, because Mr. Morley has on occasions used language which has wounded and has sanctioned measures which have bewildered and amazed. And though those among us, who have not made sufficient allowances for Mr. Morley's difficulties will in the end regret

the harsh things they have said of him, he certainly for the time has lost the power of arresting the rapid decline of my countrymen's faith in England's mission in this country. My Lord, the Government will no doubt put down—indeed, it must put down—all disorder with a firm hand. But what the situation really requires is not the policeman's baton or the soldier's bayonet, but the statesman's insight, wisdom and courage. The people must be enabled to feel that *their* interests are, if not the only consideration, at any rate the main consideration that weighs with the Government, and this can only be brought about by a radical change in the spirit of the administration. Whatever reforms are taken in hand, let them be dealt with frankly and generously. And, my Lord, let not the words 'too late' be written on every one of them. For while the Government stands considering—hesitating, advancing, receding, debating within itself 'to grant or not to grant, that is the question'—opportunities rush past it which can never be recalled. And the moving finger writes and having writ, moves on!

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## BUDGET SPEECH, 1909

[The following speech was delivered by Gokhale in the Imperial Legislative Council on Monday, the 29th March 1909 on the Financial Statement for 1909-10 presented by Sir Guy Fleelewood Wilson. Lord Minto was in the chair. This was the last year of the old order, under which the Budget debate was the one occasion in the year available to Non-official Members to bring to the notice of the Government questions connected with the general administration of the country.]

### Difficult Financial Position of the Country

My Lord, the Hon'ble Member is entitled to the fullest sympathy of this Council and of the country in the difficult task with which he finds himself confronted at the very commencement of his tenure of office as Finance Minister of India. After a succession of surpluses, extending over ten consecutive years, we have come, suddenly and almost without warning, to a year of a heavy deficit, and this abrupt change is accompanied by an uncertainty about the future, which aggravates the anxieties of the situation. It is true the Hon'ble Member estimates, on the assumption of a normal season, a revenue for next year fully equal to its requirements, and he even budgets for a small surplus. But reading between the lines of his statement, one cannot help feeling that he regards the prospect before him with considerable uneasiness. The Hon'ble Member bases his figures of revenue on a normal season, though such estimating is, in his opinion, 'largely a gamble in rain.' The grave depression in trade, which has so seriously reduced our railway receipts during the current year, and which, as the Hon'ble Member says, is not local or peculiar to India, but is, 'one of those great reactions which periodically affect the whole civilised world,' has not yet passed away, and yet the Hon'ble Member takes for railway earnings a figure £2½ millions above that of the current year, thus placing our railway activity during next year 'where it would have been in 1908-1909, if conditions had been normal, with a small extra margin for the increased milaaga.' Finally, the Hon'ble Member uses significant language when he says :

I have no desire to minimise the difficulties, which it would be folly to ignore, attaching to Currency and Exchange, to the present position of the Gold Standard Reserve, and the weakness of our cash balances.

I doubt, therefore, if the Hon'ble Member himself feels much confidence in the estimates which he has laid before the Council, and I think that the position of equilibrium, for which he has budgeted,

the harsh things they have said of him he certainly for the time has lost the power of arresting the rapid decline of my countrymen's faith in England's mission in this country. My Lord the Government will no doubt put down—indeed it must put down—all disorder with a firm hand. But what the situation really requires is not the policeman's baton or the soldier's bayonet but the statesman's insight, wisdom and courage. The people must be enabled to feel that *their* interests are if not the only consideration at any rate the main consideration that weighs with the Government and this can only be brought about by a radical change in the spirit of the administration. Whatever reforms are taken in hand let them be dealt with frankly and generously. And my Lord let not the words 'too late' be written on every one of them. For while the Government stands considering—hesitating advancing receding debating within itself 'to grant or not to grant' that is the question—opportunities rush past it which can never be recalled. And the moving finger writes and having writ moves on!

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onwards, exchange again rose steadily owing to the currency legislation of 1893, till at last in 1899-1900 it established itself firmly in the vicinity of 1s 4d. And when, three years later, the first remission of taxation was granted, the position was this: The rupee had risen from 13-1d. to 16d.; there had also been a considerable increase of revenue under most of the principal heads; but the level of taxation still stood where it had been pushed up when the rupee had fallen to 13-1d. Now a rise in exchange from 13-1d. to 16d. meant a saving of 3½ millions sterling in the cost of remittances to England necessary to meet the Home charges, taking these charges even at the lower figure of 1894-95. And this saving the Government were morally bound to return to the tax-payers, however they dealt with the general increase of revenue that had accrued. As the various remissions put together have amounted to about 4 millions a year, it is clear that the relief granted to the tax-payers during the last six years has not materially exceeded the saving effected in the cost of Home remittances by an artificial appreciation of the rupee. It may be noted that in spite of these remissions of 4 millions a year, the revenue today is higher than it was six years ago, the receipts under the principal heads for the current year being over 49 millions as against 45·6 millions for 1902-03, the year immediately preceding the first reduction of taxation.

#### Year 1908-09 compared with 1900-01 : Increased Expenditure

My Lord, the year about to close has been a famine year, and it is instructive to compare it with the year of the last great famine—1900-01. That famine was admittedly one of the severest, as it was the most extensive of any that have been known in India, and it cost over 4 millions in direct relief. This year's famine, on the other hand, was confined mainly to the United Provinces and the cost of relief has been only a million. The revenue under the principal heads for 1900-01 was 43·6 millions; that for the current year, in spite of the remissions of taxation granted in the interval, was over 49 millions. (The latter figure includes the revenue for Berar, which the former does not, but the former includes the proceeds of local rates, which are excluded from the latter.) In 1900-01, there was a saving in military charges owing to the absence of a portion of the troops in South Africa, against which may be set the windfall under Opium during the current year. Under Railways there was a small net revenue of about ½ million in 1900-01 as against the loss in this year's Revised Estimates of a little under ½ million. The Government thus had in 1900-01 a smaller revenue and had to incur a much larger expenditure on famine relief than during the current year, and yet in the former year they were able to show a surplus of 1·7 millions, whereas in the

indicates more a suspension of judgment on his part than a reasonably confident anticipation of next year's revenue and expenditure.

### Remissions of Taxation Only Balance Saving in Home Remittances.

My Lord, a deficit of  $3\frac{1}{2}$  millions sterling or over  $5\frac{1}{2}$  crores of rupees is the heaviest deficit we have had in any year during the last fifty years. And only once during the period has it exceeded 3 millions. That was in the year 1897, when the country was devastated by one of the greatest famines of the last century and when in addition there were prolonged military operations on the North-West frontier, the famine costing in direct relief  $3\frac{1}{2}$  millions, and the military operations  $2\frac{1}{2}$  millions, and the accounts showing a deficit of  $3\frac{1}{2}$  millions. It is, however, necessary to remember that the current year's deficit includes a sum of £725,300 under railway charges, which should not be charged against revenue at all, being the portion of the annuity payments devoted to redemption of capital. The exclusion of this sum reduces the deficit from  $3\frac{1}{2}$  millions to 3 millions. Even so, it is a heavy deficit, and, in view of its serious nature, I fear, regret will be expressed in some quarters—I already notice a tendency in that direction—that the Government should have granted successive remissions of taxation since 1903. I think, therefore, that it will be useful to recall here the extent of these remissions and their true relation to the growth of our revenue in recent years. These remissions have been three reductions of the salt-duty, each by 8 annas a maund, reducing the duty altogether from Rs. 2-8 to Rs. 1 a maund, the exemption from income-tax of incomes between Rs. 500 and Rs. 1,000 a year, the abolition of famine cesses in Northern India, and the abolition of certain local taxes on land in several Provinces. The total relief granted to the tax-payers by these various measures has been a little over four millions a year. Now, to understand correctly the real bearing of these remissions on the general financial situation, it is necessary to glance briefly at the history of our finances since 1885. The first eleven years of this period were a time of extreme stress and anxiety for the Finance Minister, owing mainly to the fall in the exchange value of the rupee, which declined rapidly from over 19d. to about 13d., while at the same time military expenditure was rising and the opium revenue going down. The Government met the difficulties of the situation by heavy and continuous additions to the taxation of the country, adhering rigorously to the canon of finance that the year's expenditure should come out of the year's revenues. The lowest point touched by exchange was in 1894-95, when it stood at 13-1d. to the rupee. And yet by raising the level of taxation high enough, the Government were able to realise, even in that year a surplus of 70 lakhs of rupees. From that point:

that the depression in trade will soon pass away. We hope also that no new clouds will gather on the horizon. There is no doubt that in ordinary circumstances and in the absence of any special disturbing factors the financial position of the country is a strong one. And by this time next year, we shall be in a better position to judge whether the causes that have brought about the present disturbance are temporary or will continue longer in operation. I must, however, confess, my Lord, that the continued prevalence of high prices in all parts of the country appears to me to be an element of considerable anxiety in the present situation. Last year, in the course of the budget debate, I ventured to express my apprehensions on this subject, and further consideration has only strengthened those apprehensions. I think the quantitative theory of money holds good much more in the case of a backward country like India than in those of more advanced countries. Variations in the prices of individual commodities may be due to variations in the demand for them or in their supply. But a more or less general rise of prices can only point to a disturbance of the currency. Such rise need not be uniform in the case of commodities, for, in the view which I am stating, prices are a function of three variables—currency, demand, and supply, and any general rise resulting from a disturbance of the currency may be modified in particular cases by one or both of the other two factors. The whole question requires a close and immediate investigation by a competent body of men, and I sincerely trust the Government have made up their mind to direct such an enquiry. The experience we have had this year of the Gold Standard Reserve must lead many of us to revise our ideas on that subject. The Government are being urged on all sides to build up a strong reserve, but we seem to stand in this matter on the horns of a dilemma. If the mints continue idle, as at present, and no new rupees are coined, there will be no coinage profits and therefore no additions to the Gold Standard Reserve. On the other hand, if new rupees are coined, they will, I fear, tend to raise prices still higher in the country. And this will discourage exports and stimulate imports, and will exercise an adverse influence on our balance of trade. It has been urged in defence of the heavy coinage of rupees in recent years that they were issued solely to meet the demands of trade. The course adopted does not, however, seem to be justified by the results. It is important to remember that the Fowler Committee<sup>1</sup> had expressed itself strongly and clearly against such new coinage until a sufficient quantity of gold was in circulation in the country.

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1. The Committee with Sir Henry Fowler as Chairman appointed by the Secretary of State for India to inquire into the problem of Indian Currency (1899)..

latter they have a deficit of 3 millions, exclusive of the sum devoted to the redemption of railway capital. This shows the extent to which the ordinary expenditure of the country has grown during the last eight years. Of course a good part of this increased expenditure has been devoted to most worthy objects, such as extension of education, improvement of agriculture, police reform, grants to District Boards, grants for sanitation, and so forth. But there is also no doubt that a portion of the increase has been due to the fact that money was available and the need for economy was not obvious. The scales of pay, for instance, of the superior grades in most departments have been augmented during the last few years. And in this connection I cannot help recalling the vigorous language used by His Honour Sir Edward Baker<sup>1</sup> two years ago in speaking of the pressure constantly brought to bear on the Finance Department in the matter.

"I have now been," said His Honour, "connected with the Finance Department of the Government of India for five years continuously, and during that period I do not believe that a single day has passed on which I have not been called upon officially to assent to an increase of pay of some appointment or group of appointments, to the re-organisation of some Department or to an augmentation of their numbers. All experience proves that where revision is needed, either of strength or emoluments, the Local Governments and the Heads of Departments are only too ready in bringing it forward. Nor are the members of the various services at all backward in urging their own claims."

I am glad the Hon'ble Member proposes to enforce a policy of strict retrenchment in all directions. If he succeeds in doing so to any appreciable extent, the present deficit will have proved a blessing in disguise! One feature of the present financial situation, to which attention may be drawn, is the greater extent of the reliance which is now placed on net railway revenue to meet the ordinary recurring expenditure of the country. Our railways, after causing a net loss to the country year after year for half a century, amounting in all to more than fifty crores, began to show a small profit nine years ago. And during the last four years, this profit reached the high average of about three crores a year. Unfortunately they have failed us somewhat suddenly this year, and I fear it will be necessary to regard this source of revenue with a certain amount of distrust in the future.

### Inquiry into High Prices Suggested

My Lord, the Hon'ble Member has adopted, if I may presume to say so, an entirely wise course in budgeting for a position of equilibrium for next year in spite of the heavy deficit of the current year. We all hope with him that the next season will be a normal one and

<sup>1</sup>. see foot-note on p. 51.



subject today. The Government propose to spend £10 millions next year as Capital outlay on Railways. Notwithstanding what has happened this year, I trust our Railways have now established their character as a *commercial success*. That being so, as a mere matter of finance—apart from questions such as the relative importance of Railways and Irrigation—there can be no objection to the Government spending whatever amount they think desirable on railway construction, provided they raise the whole of that amount strictly by borrowing. This year's experience no doubt emphasises the need for caution even in railway construction out of borrowings, but I do not wish to dwell on that aspect of the question. The Government, however, have *not in the past been satisfied with merely devoting loan-funds to the building of railways*. They have in addition drawn on every other available resource for the purpose, and thus, during the last few years, large surpluses, arising out of current revenues, which might have been devoted, with the utmost benefit to the people, to meeting non-recurring expenditure in connection with primary education, technical education, sanitation, and such other needs of the country, have been swallowed up by this eternal, unending, insatiable railway construction! Year after year I have complained of this misapplication of our surpluses in this Council but without avail. Two years ago it did appear as though Sir Edward Baker might move a little from his position in the matter, but last year he decisively closed the discussion, so far as he was concerned, by declaring that 'the Hon'ble Member and the Government are irreconcilably divided and can only agree to differ.' My Lord, I mention these things in the hope that my contention might meet with a better reception at the hands of the new Finance Member. Our finance is the finance of a poor country, whose resources are small and whose needs in several directions are pressing and various. It is true that the application of a portion of our revenue to Railway construction leads to a corresponding reduction of our unproductive debt, but that should be no object with the Government, seeing what a mere trifle that debt is, being only about £37 millions sterling. The present year is a year of deficit, but the Hon'ble Member includes the small surplus, for which he budgets for next year, among the ways and means of meeting capital expenditure. This means that even if the expected surplus is not realised, the estimated amount will be devoted to railway construction out of cash balances. Again, as I have already pointed out, this year's deficit includes a sum of  $\frac{1}{2}$  million under Railway charges, which represents the portion of annuity payments devoted to the redemption of capital. Thus our surpluses, whenever they are realised, are to go to railway construction, and in addition to that, a sum of  $\frac{1}{2}$  million a year out of current revenues is to be devoted to the

redemption of railway capital! My Lord, I protest respectfully but with all the emphasis at my command against this policy. It is, in the circumstances of India, unjust and unjustifiable, and even from the standpoint of sound financial administration, it is wholly unnecessary.

### General Situation in the Country

My Lord, this is probably the last budget debate at which observations of a general character, unconnected with questions of finance, will be permitted, and I would like to say a few words on the situation in the country generally before bringing my remarks to a close. The acute anxieties of the last year are now happily over, and the situation has undergone during the last three months a change so striking and decisive that it is almost difficult to recall the crisis through which we have passed. When the Council closed its last Calcutta session twelve months ago, there was in the air a feeling of vague uneasiness as at some impending disaster. And the country was soon startled and shocked by the appearance of anarchists on the scene. It is true their numbers were utterly insignificant, but the danger was that for a time at any rate the more reckless and irresponsible spirits in the country would think more of the daring of these misguided young men than of the wicked and detestable character of their outrages. With such a danger confronting them, the Government could not afford to sit idle or lose time. But the drastic measures of repression which they found themselves driven to adopt, both to prevent the spread of general disorder and to strike at the root of political crime, deepened still further the gloom of the situation and added to the prevailing feeling of despair in the country. It was indeed a time of grave anxiety, for large numbers of young men were daily drifting away farther and farther from their allegiance to British rule, and the whole conception of one's duty to the country was undergoing a rapid change in superficial minds. Happily, at this critical juncture, the courage and statesmanship of your Lordship's Government and of the Secretary of State came to our rescue, and the announcement of a large and generous scheme of reforms in December last at once acted like a charm, and eased the tension of the situation. And today the position, in spite of its undoubted difficulties, is actually clearer and stronger than it has been for many years past. A new hope is gladdening the hearts of the people, and though certain causes of soreness exist, the minds of the educated classes are steadily reverting to their old faith in the higher purpose and character of British rule. The appreciation of the supreme importance of order for purposes of real progress is all the deeper and more distinct having experienced the shock and horror of recent

outrages. And on every side there are indications that a period of closer and more cordial relations between the authorities and the people is about to begin.

### Release of Nine Bengali Deportees Urged

My Lord, I have said that certain causes of soreness still exist. Of these one of the most serious is the deportation of nine Bengali gentlemen under the Regulation of 1818 in December last. I have no wish to go on the present occasion into the general objection that may reasonably be urged against a resort to the extraordinary powers conferred by the Regulation. Those objections are well understood and there is no satisfactory answer to them. I feel bound, however, to say one thing. In the course of a recent debate in the House of Commons on the subject, the Under-Secretary of State for India stated that these nine men had been deported because it was believed that among them were 'some leading instigators of crime.' It is true that Mr. Buchanan<sup>1</sup> did not say that every one of the nine gentlemen was a leading instigator of crime. But as none of them was expressly excluded from the description and as all nine have been deported, the suspicion of being an instigator of crime must attach to each one of them. Now two of these nine men I know very well personally—Babu Krishna Kumar Mitter and Babu Aswini Kumar Dutt. They are undoubtedly persons of the highest character and deep piety, and it is incredible that either of them can have been even most remotely connected with crime. I recognise that, in times of grave emergency, the Government have to decide quickly and act promptly, taking all risks—even the risk of being in the wrong. But it is now more than three months since the deportations took place. The situation throughout the country is rapidly improving. May we not hope that the Government will now reconsider this matter and take the earliest opportunity to restore these men to their homes? It will be an act of bare justice to the individuals and will give great satisfaction throughout the country.

### The Proposed Reforms : Provision for Minorities' Representation.

My Lord, certain provisions of the reform scheme have, as the Council knows, evoked keen and even excited controversy. Of these, the greatest opposition has been naturally encountered by the proposal to appoint an Indian member to your Lordship's Executive Council. The question, however, is now laid at rest by the announcement made five days ago that His Majesty the King-Emperor has been pleased to

1. Rt. Hon. T. R. Buchanan, Under-Secretary of State for India, 1903-09.

approve the appointment of Mr. S. P. Sinha<sup>1</sup> to succeed Sir Erle Richards as Law Member of the Council. My Lord, the day when this announcement was made will always be remembered as a red letter day in the history of British rule in India. A momentous step has been taken and a most signal vindication offered to the people of this country of the noble pledges contained in the late Queen's gracious Proclamation. I am confident that the Government will have no cause to regret what they have done. The trust and courage which they have displayed will be repaid a hundredfold in the new ties of attachment and gratitude which will bind the country to British rule, and the administration will be all the stronger for coming closer to the hearts of the people.

The opposition to Clause III of the new Reform Bill has come principally from certain retired administrators and civilians, whose connection with India terminated some time ago and who have not been in touch with the rapid changes of thought and sentiment which have taken place in the country during the last three years. Now that the tension has relaxed, these gentlemen would evidently like to part with as little real power as possible, and they have not hesitated to get the clause rejected by the House of Lords in the face of the opinion of the Government of India and the Secretary of State. Their action has caused deep and widespread disappointment throughout the country, for there is no doubt that administration by a Council is a higher form of Government than a single man rule, and the proposed change is needed to meet satisfactorily the altered requirements of the situation. There is room yet for the hope that the clause will in the end be restored after all, and it will be worse than unfortunate if this hope is not realised, for that will mean that the proposed scheme of reform has been put back in a most important particular.

The third question connected with the reforms, round which controversy has raged for some time, is that of Mahomedan representation. As this question is arousing a considerable amount of feeling in the country, I would like to state briefly my own view of the matter. That view is practically the same as that of the Government of India, and I have embodied it in the note which I had the honour to submit to the Secretary of State last September on the subject of constitutional reforms. I think the most reasonable plan is first to throw open a substantial minimum of seats to election on a territorial basis, in which all qualified to vote should take part without distinction of race or creed. And

1. S. P. Sinha (afterwards Lord Sinha of Raipur) (1864-1928); the first Indian Governor of a Province; Under Secretary of State for India, 1919; President, Indian National Congress, 1915.

then supplementary elections should be held for minorities which numerically or otherwise are important enough to need special representation, and these should be confined to members of the minorities only. What minorities in the different Provinces should have special representation and how many seats should be assigned to each minority must depend upon the special circumstances of each Province. It will not do to be guided in the matter by a strict regard for numbers only ; for it may be necessary at times to give special representation to a minority so small as not to be entitled even to a single member on a strict numerical basis. This was practically the plan advocated by the Government of India in their despatch, as I understand it, and now that the idea of joint Electoral Colleges has been abandoned, I earnestly trust that it will be carried out. The great advantage of this plan is that it provides for composite action by all communities up to a certain point, and then it prevents injustice, in practical operation, to minorities by giving them special supplementary electorates of their own. My Lord, it has been urged by some of my countrymen that any special separate treatment of minorities militates against the idea of the union of all communities in public matters. Such union is no doubt the goal towards which we have to strive, but it cannot be denied that it does not exist in the country today, and it is no use proceeding as though it existed when in reality it does not. Not only this, but unless the feeling of soreness in the minds of minorities is removed by special separate supplementary treatment such as is proposed by the Government of India, the advance towards a real union will be retarded rather than promoted. One thing, however, must here be said.

existence of the Government is not to depend upon the votes of non-official members, neither are its members to be drawn from those who are in a majority in the Councils. Let it also be remembered that the most important part of the proposed reform of Legislative Councils is the power that will be conferred on members to raise discussions on administrative questions in the Council, and for this purpose the exact proportion of members returned by any community is a matter of small importance. My Lord, I respectfully suggest that the Government should take an early opportunity to make a clear and firm declaration on this subject, calculated to allay apprehensions and give reasonable satisfaction to all parties. It is necessary that the new arrangements should be inaugurated with the utmost goodwill from all sections of the people. I earnestly appeal to my countrymen—both Hindu and Mahomedan—to exercise special mutual forbearance at this juncture and meet each other half way. We owe this to ourselves and to our country's future; we owe it also to those who are granting us these important measures of reform.

#### A Personal Explanation: "Intrigue Against Mahomedans"

My Lord, in this connection, may I offer a word of personal explanation on this occasion? I see from the papers that have arrived by the last English mail that the note on constitutional reforms, which I submitted to the Secretary of State in September last, and to which I have already referred here today, has come in for a good deal of comment in England. Now, what I want to say about that note is this. There was nothing surreptitious or private about it. It was submitted by me to the Secretary of State for India in my capacity as a representative of the Bombay Presidency Association<sup>1</sup>, publicly deputed by that body to proceed to England and lay their views before the authorities there on the proposed reforms. The note was only a summary—with very slight modifications, suggested by the discussions I had with a number of public men in England on the subject—of the views which the Association had already laid before the Government of India in an exhaustive memorial and before the Decentralisation Commission<sup>2</sup> in another memorandum. On my return to India, I noticed attempts made in certain quarters to rouse Mahomedan feeling against the reform scheme, as outlined in Lord Morley's despatch, by repre-

1. A political association established in Bombay in 1835 "for the promotion and advocacy of the public interests of this country."

2. Royal Commission appointed in 1907 with Mr. C. E. H. Hobhouse as Chairman to consider the problem of administrative and financial decentralisation between the Central and Provincial Governments and between Provincial Governments and local bodies.

not been many months in the land, before you recognised frankly and publicly that new aspirations were stirring in the hearts of the people, that they were part of a larger movement common to the whole East, and that it was necessary to satisfy them to a reasonable extent by giving the people a larger share in the administration of affairs. And throughout, your purpose in this matter has never wavered. Your Lordship started the first deliberations in your Council on the subject. The tentative proposals published in 1907, which had caused great dissatisfaction, were revised and recast under your own direction, and nine-tenths of the scheme in its final form is that of the Government of India. But this is not all. The throwing open of your Executive Council to Indians—which, in some respects, is the most notable part of the reforms—is principally your Lordship's work. Serene, clear-sighted, supremely modest, your Lordship has gone on with the work of reform with noble courage amidst extraordinary difficulties, and I am sure your greatest satisfaction will be that when you lay down the reins of office, you will leave to your successor a task far less anxious than the one you inherited. My Lord, among the many great men who have held office as Governor-General in this country, there are three names which the people cherish above all others—the names of Bentinck<sup>1</sup>, Canning<sup>2</sup> and Ripon<sup>3</sup>. I venture to predict, both as a student of Indian history and as one who has taken some part, however humble, in the public life of the country for the last twenty years, that it is in the company of these Viceroys that your Lordship's name will go down to posterity in India. Of Lord Morley, I will say only this. It would have been a sad thing for humanity if his tenure of office, as Secretary of State for India, had produced nothing more than deportations and Press laws. One, who has taught so highly, and to whose name such great honour attaches even in distant lands, cannot afford to be 'as other men are—a slave of routine and a victim of circumstance.' However, his great Liberalism has been amply and strikingly vindicated even in so difficult a position as that of the head of a vast bureaucracy, and the temporary misunderstandings of friends and the unworthy taunts of opponents will not have been borne in vain, when the full results of the present measures of reform show themselves in this country. That passage in his speech in the House of Lords,

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1. Lord William Cavendish Bentinck (1774-1839), Governor of Madras, 1803-07; Governor-General of Bengal, 1828-33, first Governor-General of India, 1833-35; abolished *Sati*; was an advocate of the admission of Indians to higher grades in the public service and emancipation of the Press for the purpose of creating and strengthening a healthy public opinion.

2. see foot-note 2 on p. 18.

3. see foot-note 1 on p. 32.

The fact is that the path of constitutional reform in India is really extremely narrow, and those who want to advance along that path have no choice but to have in view more or less the same stages and almost the same steps. To safeguard the essential elements of British supremacy, to associate the people of the country more largely with the administration of their affairs, and to do this cautiously, impartially and, at the same time, in accordance with ideas and aspirations which Western education has fostered in the land—these factors of the problem do not leave a wide margin for differences of opinion except in regard to minor details. Of course, those who do not want to advance do differ fundamentally from those who do; also among those who want to advance there may be differences of opinion as to how many steps may be taken at a time. But there is not much room for any striking originality or novelty of solution in determining the path. Moreover, the interests involved are too large and too serious to permit of the authorities going in search of originality for mere originality's sake.

### Morley-Minto Reforms : A New and Important Chapter

These controversies, great and small, will however soon come to an end, and before long they will probably pass out of men's minds. But the reforms that will be inaugurated will remain, and they will open a new and important chapter to the people of this country. As far as one may foresee, the chief characteristic of the next few years will be a greater consideration for public opinion on the part of the authorities, a larger realisation of the difficulties of the administration on the part of the people, and a closer co-operation between the two sides in promoting the moral and material interests of the country. It is idle to expect that, with the introduction of the reforms, all existing misunderstandings between the Government and the people will vanish; and it will be even more idle to imagine that as time rolls on, no new occasions of friction will arise, or no fresh misunderstandings crop up. But there is no doubt that when the proposed reforms are completed, the administrative arrangements of the country will have been brought into reasonable harmony with the present requirements of the people; and as regards the future, we must be content to let it take care of itself. I think it is safe to say that when, in later times, the eyes of my countrymen turn back to these days, they will see two figures standing apart from the rest. One will be your Excellency, and the other Lord Morley. My Lord, I am at a disadvantage in speaking of your Lordship in your presence; but the occasion is exceptional, and I trust the Council will forgive me for any apparent breach of propriety. The country owes a deep debt of gratitude to your Lordship, both personally and as the head of the Government of India, for these reforms. You had



not been many months in the land, before you recognised frankly and publicly that new aspirations were stirring in the hearts of the people, that they were part of a larger movement common to the whole East, and that it was necessary to satisfy them to a reasonable extent by giving the people a larger share in the administration of affairs. And throughout, your purpose in this matter has never wavered. Your Lordship started the first deliberations in your Council on the subject. The tentative proposals published in 1907, which had caused great dissatisfaction, were revised and recast under your own direction, and nine-tenths of the scheme in its final form is that of the Government of India. But this is not all. The throwing open of your Executive Council to Indians—which, in some respects, is the most notable part of the reforms—is principally your Lordship's work. Serene, clear-sighted, supremely modest, your Lordship has gone on with the work of reform with noble courage amidst extraordinary difficulties, and I am sure your greatest satisfaction will be that when you lay down the reins of office, you will leave to your successor a task far less anxious than the one you inherited. My Lord, among the many great men who have held office as Governor-General in this country, there are three names which the people cherish above all others—the names of Bentinck<sup>1</sup>, Canning<sup>2</sup> and Ripon<sup>3</sup>. I venture to predict, both as a student of Indian history and as one who has taken some part, however humble, in the public life of the country for the last twenty years, that it is in the company of these Viceroys that your Lordship's name will go down to posterity in India. Of Lord Morley, I will say only this. It would have been a sad thing for humanity if his tenure of office, as Secretary of State for India, had produced nothing more than deportations and Press laws. One, who has taught so highly, and to whose name such great honour attaches even in distant lands, cannot afford to be 'as other men are—a slave of routine and a victim of circumstance.' However, his great Liberalism has been amply and strikingly vindicated even in so difficult a position as that of the head of a vast bureaucracy, and the temporary misunderstandings of friends and the unworthy taunts of opponents will not have been borne in vain, when the full results of the present measures of reform show themselves in this country. That passage in his speech in the House of Lords,

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foreshadowing Mr. Sinha's appointment, with its phrase 'one of the King's equal subjects,' has touched a chord in Indian hearts, which will keep vibrating for some time. It is a passage that will live in the history of this country—in any case it will remain engraved on the hearts of the people. My Lord, I sincerely believe that your Lordship and Lord Morley have, between you, saved India from drifting towards what cannot be described by any other name than chaos. For, however strong a Government may be, repression never can put down the aspirations of a people and never will.

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## Budget, 1910-11

### Changed Procedure For Financial Discussions

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*Under the Indian Councils Act, 1909 ( Morley-Minto Reforms ), and the rules made thereunder, it became possible for members of the Council to move resolutions on the Financial Statement, and the discussion of financial matters came thus from 1910 onwards to be spread over several separate issues instead of being confined, as till then, to one day and to one " budget speech " by any individual member, in which he was at liberty to roam over the whole field of administration. The rules provided that on a day to be appointed by the Governor-General, the Financial Statement ( which meant the preliminary financial estimates for the ensuing financial year ), with an explanatory memorandum, should be presented by the Finance Member. On a later day to be appointed by the Governor-General, the First Stage of the discussion of the Financial Statement was to take place. During this stage members could move resolutions, of which previous notice had been given, relating to any alteration in taxation, any new loan, or any additional grant to a Local Government proposed or mentioned in the Financial Statement.*

*After all the resolutions had been disposed of, the Second Stage of the discussion was to begin. In this stage, discussion took place on each head of revenue and expenditure which the rules specified as being open to discussion. Members of the Executive Council introduced the several heads or groups of heads of which they were in charge, and then non-official members were at liberty to move any resolutions relating to the head or group of heads, of which notice had been given.*

*Lastly, on or before the 24th of March, the budget ( which meant the Financial Statement as finally settled by the Governor-General-in-Council ) was to be presented by the Finance Member, who was to explain any changes made in the original figures of the Financial Statement. No resolutions were permitted at this last stage, and no vote was to be taken on the budget, but members were at liberty to offer any general observations they liked on it.*

*The rules also provided that resolutions should be in the form of specific recommendations addressed to the Governor-General-in-Council ;*

*that they should not challenge the accuracy of the figures of the Financial Statement; that they should be directly relevant to some entry in the Financial Statement; and that the discussion of a resolution should be limited to the subject of the resolution, and should 'not extend to any matter as to which a resolution may not be moved.' The President could disallow any resolution without giving any reason except that in his opinion it could not be moved consistently with the public interest.*

*As resolutions on the Financial Statement, even if passed, had no force except as recommendations to the Government, bills relating to changes in taxation were introduced separately. Discussions on such bills were, however, virtually, if not formally, discussions on the budget. Gokhale's speeches on such bills (e.g. the Indian Tariff Amendment Bills, 1910 and 1911) have therefore been included in this Part, and given along with his Budget Speeches.*

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# INDIAN TARIFF ( AMENDMENT ) BILL, 1910

## I

[ On 4th March 1910, Lord Minto, the Viceroy, being in the Chair, Sir Guy Fleetwood Wilson moved that the Report of the Select Committee on the Indian Tariff ( Amendment ) Bill be taken into consideration. The debate that followed was opened by Gokhale with the following speech. ]

### Additional Taxation in a Normal Year Criticised

My Lord, before the Council proceeds to a consideration of the several amendments of which notice has been given, I would like to make a few observations on the general financial situation which, in the opinion of the Hon'ble the Finance Minister, has necessitated the imposition of fresh taxation. Hitherto fresh taxation has been associated in our minds with war or famine or a sudden increase in military charges or a falling exchange. This is the first time, so far as I am aware, when it is proposed to levy additional taxation in a normal year, free from any specially disturbing factors. The Finance Minister has told us that Opium and East Bengal are responsible for the new burdens sought to be imposed upon the country. He expects the Opium revenue for next year to fall short of the amount realised during the current year by £872,000 or about a crore and thirty lakhs; and he is called upon in addition to find an extra quarter of a million, or thirty-eight lakhs, to relieve the embarrassment of the Government of East Bengal and Assam. In the Finance Minister's opinion, therefore, the principal share of the responsibility for the present difficulty falls on Opium. Now, my Lord, I think it is necessary to protest against this view. Even assuming that the estimate of Opium revenue for next year is not an underestimate, we still find that the net receipts budgeted for under Opium are 3½ millions sterling which was precisely the amount of the net Opium revenue realised in 1907-08, when there was no deficit and when the policy of gradually extinguishing the Opium revenue in ten years was laid down. In announcing that policy, His Honour Sir Edward Baker<sup>1</sup>, who was then Finance Minister, expressed himself as follows :—

Twenty years ago or even less, the prospect of losing a revenue of five and a half crores a year would have been a cause of very grave anxiety. Even now if the whole or a great part of the revenue should be struck off at a blow, the dislocation of our finances would be serious and might necessitate recourse to increase of taxation. But if, as we have a clear right to expect, the transition is

1. see foot-note on p. 51.

effected with a due regard to our convenience and spread over a suitable term of years, the consequences may be faced, if not with equanimity, at least without apprehension.

And again :—

The point which I wish to emphasise at present is that there is no need for despondency and that if all goes well, there is nothing worse to fear than the absorption for a few years of the means of affording further relief to the taxpayer and of incurring useful expenditure for the development of the country.

Sir Edward Baker was thus prepared three years ago to face the loss of a tenth part of the Opium revenue of 1907-08 every year without having recourse to extra taxation, if the circumstances of the country continued normal. And the Government should have been prepared today to part with three-tenths of three and a half millions, that is, about a million sterling. Instead, however, of the net Opium revenue being only  $2\frac{1}{2}$  millions sterling, the Hon'ble Member has actually budgeted for  $3\frac{1}{2}$  millions for next year, and yet he throws on Opium the main responsibility for his additional taxation! No, my Lord, if fresh taxation has really become necessary, which I for one venture to doubt, we must look for an explanation deeper. It is true that Eastern Bengal is now to have 38 lakhs a year more from the Imperial Government, which means that the partition of Bengal is now going to affect the whole country materially as it has already done politically. But as our normal growth of revenue is about a crore and twenty lakhs as once estimated by Sir Edward Baker, it is clear that the increased allotment to Eastern Bengal and Assam need not by itself have led to extra taxation. To understand what has really brought about a deterioration in the financial position of the country, we must go back to the year 1907-08, and compare the figures of revenue and expenditure for that year with those in the budget proposals for next year. Taking both receipts and charges net, as given in statement E—and that is the best thing to do for purposes of a real comparison—I find that the total net receipts under major revenue heads for next year are estimated at 3 millions sterling more than for 1907-08—the Opium receipts being the same for both years, namely,  $3\frac{1}{2}$  millions, but land revenue being two millions more for next year and there being a total increase of another million under other heads. I also find that as against this increase of three millions, there is a deterioration under Railways of over a million, an increase of no less than 1.91 millions under net charges of civil departments, nearly half a million under military services, and over half a million under Interest, Telegraph, Mint and other heads. To my mind, therefore, it is clear that the main responsibility for our present difficulties rests on the shoulders of the civil departments and the Railway Board. My Lord, I cannot help saying that an increase of nearly 2 millions

sterling in the net charges of the civil departments in three years is a phenomenal increase and needs explanation. I will not say that I am much surprised, for during the last few years there was hardly ever a day when we did not hear of higher scales of pay being sanctioned for the superior officers of some civil department or other. The operations of the Railway Board, too, which called forth a sharp remonstrance from His Honour the Lieutenant-Governor of Bengal last year, have had the inevitable effect of throwing on the resources of the Government a steadily increasing burden of working expenses.

In addition to these two causes, I am of opinion that the prevalence of high prices in the country is bound to affect the Exchequer adversely in two ways. First, the Government, as the largest purchaser in the country, has to pay more for its purchases, and secondly, the pressure of high prices on the resources of the people tends to diminish the revenue contributed by them to the Government under several heads. I think, my Lord, that all these questions need a careful investigation. I had hoped, from the observations made by the Finance Minister in his Financial Statement last year, that he would not turn to fresh taxation until at least a policy of severe retrenchment had been carried out in all departments. It appears, however, from the present Financial Statement that the Hon'ble Member has almost given up the unequal struggle. The forces that make for economy in this country are extremely weak, while those that make for continuous increases in expenditure in different departments are enormously strong, and one of the greatest needs of the country is to devise measures which will effectively safeguard the interests of economy.

My Lord, the proposed enhancements of duty under the Tariff Bill are expected to bring in an extra million sterling or a crore and a half of rupees, half of which will be contributed by tobacco and liquors and the other half by silver and petroleum. Now, I strongly hold that there is really no need for this extra taxation. In the first place, if the circumstances of the country continue normal, the estimates for the next year framed by the Hon'ble Member will be found to be too cautious. Under Salt, for instance, I am confident that the increase will be considerably more than what has been budgeted for. Again, those who are well acquainted with the conditions of the Opium trade are clearly of opinion—my Hon'ble friend Sir Sassoon David<sup>1</sup> is a recognised authority in regard to that trade and he strongly holds the view—

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1. Sir Sassoon David, head of Sassoon J. David and Co., Bombay, with branches at Hongkong, Shanghai and Kobe; Chairman of the Bombay Mill-Owners' Association; took leading part in establishing the Bank of India; nominated to the Imperial Legislative Council as an expert in commercial matters.

that in view of the special circumstances of the Chinese market, the rate of Rs. 1,750 per chest of opium which has been taken for next year is much too low and that Rs. 2,000 a chest will be a safe estimate. Lastly, I wish to draw the attention of the Council to the fact that a sum of over three-fourths of a million sterling has been provided in the budget for the redemption of Railway debt out of revenue. My Lord, I consider that this is an amazing thing to do, absolutely unjust to the tax-payers, when the Finance Minister comes forward with proposals for extra taxation on the ground that the money that will otherwise be raised will be insufficient for current purposes. Railway debt is productive debt. Even now, in spite of the fact that the Railway Board has pushed up working expenses in all directions, the railways are more than paying the interest on their capital, and there is absolutely no need—I think it is wholly unjustifiable—to devote a part of revenue to the reduction of productive debt. The three-fourths of a million, which represents the capital portion of railway annuities, should clearly come out of loan funds raised for the purpose, and not out of current revenue which is needed for so many pressing current purposes. Even assuming that the Budget estimates are not framed too cautiously, and that the whole of the money proposed to be raised by the contemplated enhancements of duty under the Tariff Bill is really required, the transfer of the amount provided for the redemption of Railway capital from revenue to capital will enable the Government to dispense with the enhanced duties on silver and petroleum.

### Strong Objection to Enhanced Duties on Petroleum and Silver

My Lord, I have no objection to the proposed enhancement of tobacco and liquor duties if there must be extra taxation. In my opinion, however, spirits used in medicinal preparations should be exempted from duty. But I object most strongly to the proposed enhancements on silver and petroleum. The duty on petroleum will necessarily hit the poorest classes in the country. Burma oil may get some advantage under it, but I am afraid the price of even that oil will be raised, if not to the full extent of the new duty, at any rate by a large proportion of it. And as regards silver, I hope even the Finance Minister now sees that a great mistake has been committed in proposing the enhancement. It is bound to add seriously to the great difficulties through which the mill industry is at this time passing. My Lord, the country had a right to expect that the Government would not show such disregard of the interests of its greatest industry after agriculture. The action of the Government, while injuring Indian exporters of yarn, will benefit Chinese producers and thereby bring sensibly nearer the day when India will lose her yarn market in China altogether. It has been claimed for the proposal of Government that it will appreciate the



in commercial matters, but I see that the Hon'ble Mr. Meston<sup>1</sup> is already inclined to regard him as an adviser of the market place. My Lord, I do not oppose this taxation simply because it is additional taxation. As a matter of fact I should be prepared to support additional taxation for objects connected with the moral and material welfare of the people, but this is taxation merely for administrative purposes. However, I am not going to pursue that further because Mr. Meston has told us that the Finance Department knows better. In regard to that I will only say this, that I am content to wait. This is my ninth year in this Council—and sometimes I have waited for a whole year for my justification—and if things go well probably the actual figures next year will decide matters between the Hon'ble Member and myself. As regards the amendment, I only want to say one word about the injury which this proposal is bound to do to the mill industry in this country. I want to mention one or two points which have not been mentioned by previous speakers. My Lord, we are already gradually losing our yarn trade with China. The position is this: Today we export about half a million bales; China produces about half a million bales of her own and Japan sends nearly half the quantity of what we send there. Ten years ago Japan did not send a single bale. Another circumstance that I would like to mention is this that since 1899 when exchange was screwed up to 1s. 4d. not a single spinning mill has been put up in Bombay. Not only this, but in 1901-02 about 20 to 25 spinning mills went into liquidation and several other spinning mills turned themselves into weaving mills; while even during the last cycle of extraordinary prosperity not a single spinning mill was added. That is the position, and just now, when the industry is in a state of great distress, the Government are adding to its difficulties by imposing this burden. I do not think the Government would do this in England. I do not wish to say anything more.

(The amendment was rejected, 18 voting *for* and 39 *against*.)

### III

[In the course of the debate, Gokhale moved an amendment opposing the increase in the duty on petroleum. In doing so, he said:]

#### Proposed Increase in Duty on Petroleum Opposed

My Lord, the object of my amendment is to get rid of the proposed enhancement of duty on petroleum altogether. The Hon'ble Mr. Carlyle just now told us that sugar was a necessary of life, even to a greater

1. Sir James (later Baron) Meston, I. C. S., (1865-1943), Finance Secretary, Government of India, 1907; Lt.-Governor, U. P., 1912-17; Finance Member, Government of India, 1918-19; President, Liberal Party organisation in U. K. (1936), Chairman, National Liberal Club, London, for many years.

extent than petroleum. Well, all I can say is that he was speaking of the poorer classes of some other country and not of India. I am sure that there are tens of thousands of cultivators who do not see sugar from year's end to year's end, whereas they cannot do without petroleum. They must have a little light in their houses and petroleum has now come to take the place of the ordinary vegetable oils. However, I am not going to argue the question about sugar as the amendment relating to it has been rejected. I will only say one or two things about petroleum. Petroleum is recognised to be a necessary of life. The imports of duty-paying petroleum are very considerable, and they have been steadily increasing. During the last three years I find that the duty paid on petroleum has risen from 37 lakhs to 53 lakhs, or about 45 per cent. Burma oil cannot supply the needs of the people altogether, because its supply is not equal to the demand. I think therefore that this duty on petroleum will really fall upon the poorest classes of the community. As I said this morning, the price of Burma oil will go up, if not by the full amount of this duty, at least by something like it. I therefore propose that the amendment which I have moved should be accepted by the Council.

[ *Replying to the debate, Gokhale said :* ]

My Lord, I am reluctant to address the Council again at this late hour, but I am afraid I must not allow what the Hon'ble Member who has just spoken has said to pass without a reply. The first thing that I would like to say is this. I would invite the Hon'ble gentleman to accompany me to the part of the country from which I have come—the Deccan. I will take him from town to town, village to village, and will show him that there is not a single house which does not use petroleum. I will also show him thousands and thousands of poor raiyats who do not use sugar from year's end to year's end. That is my answer to the first point. Then, my Lord, he said that the incidence of this new enhanced duty would be about four annas per annum per family. I accept his calculation. To my mind four annas per family is a serious addition to the burdens of the poorest classes of this country. The Hon'ble Member says that the people have had a relief in the remissions of salt tax. The prices, however, have gone up in every direction, and I am quite sure even four annas a year will make a considerable difference to poor people.

As regards the question of excise in Burma, I did not refer to it as I had learned from my Hon'ble friend the Finance Minister that that question was under consideration. Moreover, my whole fear is that the effect of this duty will be to inflate the profits of the producers in Burma. I understand that all Burma oil that can possibly come to India finds a ready sale; therefore it does not seem that any protection is necessary.

(The amendment was put and lost, 16 voting for and 41 against.)

[ The Financial Statement for 1910-1911 was discussed during its First Stage on 5th March 1910 and during its Second Stage on 9th March 1910. Sir Harvey Adamson, the Vice-President, being in the chair on both occasions. ]

*Financial Discussion, 1910-11, First Stage, 5th March 1910.*

## SURPLUSES AND SANITATION

*Gokhale moved the following resolution :*

That this Council recommends that the amount of the loan to be raised during the year 1910-11 should be £1,245,900 instead of £1,000,000 and that the sum of £245,900, which is the estimated surplus for the current year, should be allotted to the several Provincial Governments, to be expended by them in assisting local bodies to carry out projects of sanitary improvement.

*In doing so, he said :*

I must first explain to the Council what my object is in moving this resolution. It is true that the resolution comes before the Council in the shape of a proposal to raise the amount of the loan that the Government want for next year. As a matter of fact, however, it is not an essential part of my proposal at all that the loan should be raised from 1 to 1½ millions. Whether the loan for next year is 1 or 2 millions or half a million is a matter of indifference to me; but I have had to put my motion in this form, because I do not want to disturb the provision made in the budget for capital expenditure and I do not want to disturb the cash balances that the Government expect to have for next year, after making this provision for capital expenditure. My real object is to secure the surplus of the year for expenditure in the promotion of sanitation throughout the country. What usually happens under the procedure adopted in connection with a surplus is this. The surplus forms part of the cash balances, and out of the cash balances a certain amount is devoted to capital expenditure, whenever this is practicable, and thus the surplus ultimately finds its way into capital expenditure. I want to withdraw the surplus for next year from being expended as capital expenditure, and I would like to have it placed at the disposal of Local Governments, in order that they might use it in assisting local bodies, especially municipalities, in carrying out projects of sanitary improvement. The whole of my resolution comes to this, that I want this Council to recommend that all surpluses that are annually realised, whenever they are realised, should, instead of going into the cash balances, and from there going into the construction of railways and indirectly to the redemption of unproductive debt, be placed at the disposal of Provincial Governments and be

earmarked to assist municipalities in the promotion of sanitation. I have urged this question again and again on the attention of the Council for the past six years. I first raised it in 1904, and I have continued to press it year by year. Two years ago the then Finance Member, Sir Edward Baker, gave us about 30 lakhs to be expended on sanitation by municipalities. That was a small response to the appeal that I made year after year, but, with that exception, my appeals have had no effect.

### Sanitary Projects vs. Redemption of Unproductive Debt

Starting with the year 1898-1899, we find that we have had, during the ten years, ten consecutive surpluses amounting to 25 millions sterling or 37½ crores. And the bulk of them have, under our system of accounts, gone first to Railway construction and from there to the reduction of our unproductive debt. Now, railway construction is a most desirable object, and so is also the reduction of the unproductive debt. Ordinarily, there would be nothing to be said against it, but at present, when there are objects, far more pressing and far more important, which require money, I do not think the Government is justified in devoting such a large sum out of surplus revenues in the way they have done. If this sum of £25 millions sterling, or 37½ crores of rupees, or at any rate the bulk of it, had been devoted to sanitary projects throughout the country, what a difference it would have made in every direction! I do not think I need say much about the needs of sanitation; the ravages of plague, malaria and other diseases in all directions and a death-rate already high and yet steadily rising—for 1907-08 it was 37 per thousand as against 35 per thousand in the three previous years—all that shows that one of the greatest needs of the country today is improved sanitation. How is the need to be satisfied? Our municipalities are admittedly very poor; their resources are small and they are already insufficient for their ordinary work. Sanitary projects are very costly; expenditure on them has to be on a Western scale, whereas it has to be carried out in Eastern cities, which, as I have already said, are very poor. If municipalities are left to themselves to undertake sanitary works, the case is a hopeless one; therefore Government must come to the rescue of the municipalities. The only way in which Government can do so is either by voting a large permanent annual grant, or by placing their surpluses at the disposal of Provincial Governments for assistance to local bodies in carrying out these necessary works. As regards a large permanent grant, I should be very glad to see it, but I foresee obvious difficulties in the way, especially in a year like this, when the Finance Minister has just carried through Bills imposing extra taxation; it is

therefore hopeless to expect that Government will make a permanent addition to its recurring expenditure for the purpose of assisting municipalities in regard to sanitation. But there is an easier way of helping them, and it is far more effective, and it is a way that will meet the requirements of the situation. What I propose is this. Whenever a surplus is realised, instead of its being devoted to Railway construction or some such object, it should be placed automatically at the disposal of Local Governments. A surplus is so much excess revenue taken from the people by the Government over and above its requirements. Even the Finance Department, that knows so much more than its critics, cannot calculate to a nicety how much money is required and how much will be raised in a given year. But when a surplus is realised, it is clear that the financial authorities have taken from the people more money than was required. Let this excess therefore go back to the people in the form of expenditure on improved sanitation. I think this is an eminently just plea, and I think that it is also a plea whose force should be recognised in the interests of the masses of the people. I know what was often urged by the late Finance Member, Sir Edward Baker, that it is the practice in other countries to devote surpluses to the reduction of debt. That is true, but I would remind the Council of what Sir Herbert Risley<sup>1</sup> said when carrying through his Press Bill the other day. He said: "Let India be guided by her own lights: she has her own problems and must solve them in her own way." Where the debts are huge as in England and other European countries, every opportunity should be taken to reduce the debt by means of a Sinking Fund or in any other way that is practicable. In India the unproductive debt is a mere bagatelle; it is a paltry sum of 40 millions—it should be remembered in this connection that it is only the unproductive debt that matters. The reduction of the productive debt is not a matter of any importance, and should not be undertaken by Government out of the revenue of the country. The unproductive debt has got to be reduced, but as it is only about 40 millions, its reduction is not a matter of such immediate or paramount importance as the promotion of sanitation throughout the country. Sir, I have not much more to say. I would only urge this in conclusion that if the whole of this surplus cannot be made available, I am quite willing to agree to half the surplus being placed at the disposal of Provincial Governments. All that I insist on is that a surplus should not be absorbed by Government in the way it does at present.

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1. see foot-note on p. 151.

to tax, so that a municipality can derive any income? In Poona, for instance, where I had the honour to be at the head of the municipality for five years, we were practically bankrupt all the time I was there. It was a time of plague, and every pie we could spare was used in connection with plague operations. The roads had to be neglected, and the schools were cut down.

Well, I think that if these sanitary projects are to be carried out, the Government must contribute much more than this one-third. In some cases Government may have to find the entire amount if these works are to be undertaken. This is a situation which must be understood clearly. The Government construct railways. Suppose some of the railways had been left to private enterprise in this country, where would our railways have been today? Suppose large trunk roads had been left to District Boards, where would trunk roads have been today?

I do not think it will do for Government to say that this is a matter which concerns municipalities alone, and they must find the bulk of the money. Government may as well say that they do not care whether there is improved sanitation or not in the country. Another point I would like to submit in this connection is that the present distribution of resources between Government, Imperial and Provincial, on one side, and the local bodies on the other, is absolutely unfair to local bodies. If the local bodies had sources of revenue placed at their disposal which could bring in some considerable revenue, then I could understand the Government throwing the responsibility of constructing sanitary works on these local bodies, but in the struggle that they have to carry on to merely maintain themselves, it is almost cruel to expect these municipalities to find money for these vast undertakings.

I will now come to what the Hon'ble Mr. Meston said in reply to my resolution. The Hon'ble Mr. Meston's attitude is the old orthodox attitude of the Finance Department towards this question. I cannot hope to succeed where so great and powerful a member of the Government, as our late Commander-in-Chief, Lord Kitchener, failed, because I understand that he often and very vigorously maintained the view which I have urged in this Council year after year. However, I mean to persevere. There were certain things which the Hon'ble Mr. Meston said which, if he will pardon my saying so, appeared to me to be somewhat curious. For instance, he said that if my resolution was accepted the unproductive debt of the country would be increased, and then the credit of the Government of which I have spoken would be affected. I do not know how the debt of the Government is going to increase if my resolution is accepted. I do not propose you should borrow, if you wish to help municipalities. Your unproductive debt is

only about 40 millions today. Surely, if you do not borrow more I cannot see how it is going to increase. It could not, of course, diminish unless you devoted a portion of your surplus towards a further reduction, but certainly it could not increase.

### Genesis of the Famine Insurance Fund

It is true you may have to borrow during famine times. That is another question; that has a history of its own, and you have to go back thirty years to understand that history. When the big famine of 1876-1878 occurred in this country, the Government estimated that on an average, in about ten years, from 10 to 15 crores were needed for actual famine relief and for avoiding the loss which occurred to Government in connection with revenue and so forth; and they therefore in the year 1879, when Sir John Strachey<sup>1</sup> was Finance Minister, imposed extra taxation to provide this fifteen crores in ten years' time—the amount that they expected to be lost by the State by direct famine losses and losses in connection with revenue. That taxation is part of the general taxes of the country. It has been added to since then; it has not been taken away, and so there you will find the provision for preventing the growth of debt owing to famines. There is the standing provision out of the revenues of the country of half a million; in this year's budget, you will find there is this provision of a million sterling a year, half of which is ordinarily devoted to the reduction of debt in order that, when famine times come, the Government should, if necessary, be able to borrow and yet the debt may not be increased.

Then the Hon'ble Member stated that the surpluses of which I have spoken had come from the earnings of railways; they were profits from railways. Now, I have not got the exact figures before me and I am speaking only from memory, but I am sure the Hon'ble Member is wrong. The profits from railways have not come to 25 millions in the last ten years, or even half that amount. I think the highest profit from railways was in 1906-07—the last but one year of Sir Edward Baker's tenure as Finance Minister—and it was then I think 2½ millions. The next year it was 1½ millions or thereabouts. The total profits from railways during the last few years when railways have been paying, have not, I think, been more than 7 or 8 millions altogether; in any case, I am quite confident, they have never been anywhere near 25 millions. Moreover, if you are going to point your

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finger to the profits from railways I would ask you to remember that railways have cost us ever since they were first built, I think 53 or 54 crores, not less, during the time that railways were a losing concern and not a paying concern. Therefore, if you are making any small profits now, those profits, I venture to say, should go to repay the country for the losses that the country had to bear on account of railways out of current revenues for 40 to 50 years.

The last thing is about the duty of local bodies. I say, Sir, that if this is the view that the Government are going to take, that sanitation is the business of local bodies and that they must help themselves as well as they can, all I can say is that this is not a view which should commend itself to this Council. The Government has introduced higher standards of administration in this country, and it behoves Government to see that in sanitation also things which can be done only with substantial assistance from Government are done rather than left undone. There are two policies, so to say, before us. On the one side you have more and more expenditure on the Army, a top heavy civil administration, and greater and greater expenditure on railways. That is one direction. The other direction is more education, more sanitation, money for the relief of agricultural indebtedness, and similar objects concerning the moral and material well being of the masses. Hitherto the first policy has been on the whole predominant. When I say that, I do not mean that the second has been neglected altogether. I do not mean that at all. But there is no doubt that far more money has been and is being spent on the first, whereas the second has been and is being comparatively starved, and I urge that the relative claims of the two on the resources of the country should now be reversed.

( The resolution was rejected, 15 voting *for* and 39 *against* )

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## REDUCTION OR AVOIDANCE OF DEBT

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[ *Moving his resolution on the above subject, Gokhale said :* ]

Sir, my resolution reads as follows :

That this Council recommends that the annual allotment of half a million sterling under *Famine Relief and Insurance to Reduction or Avoidance of Debt* should now be abolished.

I would like at the outset to make a slight alteration in the wording of the resolution. I would say : ' that this Council recommends that the annual allotment, which for the next year is half a million sterling, under *Famine Relief and Insurance to Reduction or Avoidance of Debt*, should now be abolished. '

I make this alteration because though in ordinary times when there is no expenditure on *Famine Relief* one might expect this allotment to be half a million—in practice it has not always been half a million ; therefore in order to be strictly accurate I should like to alter the wording as proposed.

The Council no doubt is aware that there is a head of expenditure in our accounts known as *Famine Relief and Insurance*. The total charge under this head is one million sterling and is divided into three sub-heads. One is actual famine relief ; the second is expenditure out of revenue on protective works, being both railway and irrigation, but now for all practical purposes irrigation ; and the third, the sum allotted for the reduction or avoidance of debt. I understand there is a limit as regards protective works, not more than half being devoted to protective works. Therefore when there is no actual expenditure on famine relief, the other half goes, or can go, to reduction or avoidance of debt.

### History of the Famine Insurance Fund

Now, Sir, I want to invite the attention of the Council briefly to the history of this *Famine Insurance Grant*, and I shall state it in as few words as possible. This grant, or fund as it was called at the beginning, was created thirty years ago on account of very serious expenditure which Government at that time had to incur in connection with the relief of two famines. The Government of Lord Lytton<sup>1</sup> in 1878-79 found that

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1. *Lord Lytton (1831-1871)*, Viceroy of India, 1876-80 ; Ambassador at Paris, 1837 ; author of some books written under the pseudonym "Owen Meredith."

the Government of India had to spend about seventeen crores of rupees in connection with the famine in Bengal and the North-Western Provinces in 1874 and the bigger famine which ravaged the Western and Southern Presidencies later on from 1876 to the beginning of 1878. The total expenditure in connection with famine relief and loss of revenue in the years was about sixteen or seventeen crores, and the Government decided that they should levy extra taxation in order to provide in the course of ten years a sum of fifteen crores of rupees. It was calculated that ordinarily two famines might be expected in ten years, and a sum of one million sterling under the three heads which I have just mentioned was provided and earmarked for famine purposes. Immediately afterwards a question arose as to how this money was to be disposed of. In 1879 a Parliamentary Committee was appointed, presided over by Lord George Hamilton<sup>1</sup>, to enquire into the question of public works, and this Committee laid down how the Famine Insurance Fund should then be spent. I think perhaps the best way in which I could state to the Council the objects of that Famine Insurance Grant would be to quote an extract from the report of that Parliamentary Committee. This was what Lord George Hamilton and his colleagues said :

During the financial years 1877-78-79 additional taxation was imposed in India in order to establish an annual Famine Insurance Fund of a crore and a half (in the currency of that time a million and a half). That amount was fixed with reference to famine expenditure which during the last six years amounted to the enormous sum, exclusive of the loss of revenue, of fourteen crores of rupees and of which a large proportion had been met by borrowing. The object of this Famine Insurance Fund was, by increasing the revenue, to avoid constant additions to the debt of India which the prevention of periodical famines would entail by either applying that increase of income to works likely to avert famine and thus obviate famine expenditure, or by reducing annually the debt contracted for famine, so that if famine expenditure should again become inevitable the reduction of debt made in years of prosperity would compensate for the liabilities incurred during scarcity. This increase of taxation was sanctioned by the Secretary of State in Council on this understanding.

The understanding, therefore, was that the grant was to be devoted, first to preventing additions to the debt of the country, and secondly, for promoting protective works which would mitigate the rigours of famine. Now the history of this fund or grant is a somewhat chequered one. Immediately after it was instituted, owing to financial difficulties connected with the Afghan War, the fund had to be diverted to other purposes. During the five years of Lord Ripon's<sup>2</sup> Viceroyalty the Fund was spent on the purposes for which it was instituted, but again in Lord Dufferin's<sup>3</sup> time there was a diversion. There was then very considerable criticism in the House of Commons,

1. see foot-note 2 on p. 6.

2. see foot-note 1 on p. 32.

3. see foot-note 3 on p. 14.

and ultimately the Government restored this Famine Insurance Fund, but during Sir James Westland's<sup>1</sup> time it was never fully a crore and a half for several years, but only one crore, and he justified that reduction by saying that there was an improvement in the condition of the country and in the capacity of the people to resist famine. However, in Lord Curzon's<sup>2</sup> time the full crore and a half was restored.

This period of thirty years during which the famine grant has been devoted to the purposes mentioned may roughly be divided into two equal parts—from 1881 to 1895-1896 and from 1895 up to the present time. The first period was practically free from famine. There were no doubt scarcities here and there and even small famines, but there was nothing serious, and I therefore omit the whole of that period as not being altogether too favourable for the purposes of my argument.

### Use of Surpluses for Railway Construction Opposed

Taking the second period, 1895 up to the present time, there were two of the greatest famines of the century which ravaged the greater part of the country, besides two or three smaller famines. Therefore it could not be said that this period was free from famine conditions, and yet what do we find? The unproductive debt of the country, which alone has to be taken into consideration in connection with this matter, was 70 millions at the beginning of this period. At the close of this period that debt was only 40 millions. Therefore this unproductive debt or ordinary debt, instead of being added to, was actually reduced from 70 millions to 40 millions. Out of this the portion of the Famine Relief Grant devoted to reduction comes to  $4\frac{1}{2}$  millions or  $4\frac{1}{2}$  millions. The rest was due to the surpluses having been devoted to railway construction and through that to reduction of debt. My point therefore now is, if in the absence of this grant the unproductive debt had had to be added to, then this expenditure out of revenue in reducing the debt would have been justified and this sum would have been properly devoted according to the original intention to preventing additions to the debt of the country. But as the debt was largely reduced independently of the grant, I think it was unnecessary that this grant of  $4\frac{1}{2}$  millions should have been devoted further to the reduction of the debt. And I say this sum might have been spent usefully in other directions.

I want the Council to realise this, that there is a difference between what Lord George Hamilton's Committee laid down as the object of this grant in relation to the debt, and the present practice of Government. It is true that Government devote this to the reduction of debt,

1. see foot-note 2 on p. 56.

2. see foot-note on p. 97.

but they devote it to the reduction of debt by increasing the amount available for productive purposes and principally railway construction. Therefore this sum taken out of revenue, which is intended to mitigate the rigours of famine and which is also intended to enable the Government to borrow in times of famine, is being ordinarily devoted to increase the resources of Government for capital outlay on railway construction. Now, Sir, I have been contending again and again in the Council that as our railways earn a very fair rate of interest, and as the credit of Government is excellent, the Government should confine the outlay on railway construction only to such sums as can be raised in the market out of borrowings; and any sums available out of current revenues should be used for other more pressing objects. I would therefore suggest that this grant of half a million or under should no more be devoted to the reduction of debt, because the debt is already very small and I do not think its reduction is of paramount importance. On the other hand, if the same sum was made available for agricultural education, for the organization of rural credit and other measures connected with the material improvement of the peasantry, that would benefit the peasantry far more than the present practice of Government and would enable the peasantry to resist the onslaught of famine better than the course which the Government adopts. I am quite sure the Finance Member will tell us that I am attacking the principle of the Sinking Fund. No doubt I am. I go further and say that in the present state you do not want a Sinking Fund. India must deal with her own problems in her own way, and in India, as I said the other day, the unproductive debt is a mere bagatelle—only 40 millions. Where the unproductive debt is huge, as in England, a Sinking Fund is an absolute necessity; but where it is small and where we want money urgently for other purposes, I think the Sinking Fund is an absurdity. I therefore move that the grant of half a million for next year under Famine Relief and Insurance to reduction or avoidance of debt should now be abolished.

sum of 3½ millions. It should be remembered however that Government have had to incur very heavy expenditure during the last twelve years on famine and scarcities, and if after meeting all that expenditure out of that grant a balance remains, surely it follows that the whole of this sum is really not necessary to be set apart as a famine grant. However I really do not wish to pursue the point any further. I think even if Government devoted the whole of this money to protective works it would be preferable to the present practice. Under the existing practice the money does not go to protective works which are needed but to productive works which should be constructed out of capital. I note that the Hon'ble Member is not unwilling to see a larger portion of the famine grant devoted to protective works, and I shall be glad if he can obtain the Secretary of State's sanction to that course.

( The resolution was put and rejected. )

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*Financial Discussion, 1910-11, Second Stage, 9th March 1910.*

## CONTRACT AGENCY FOR IRRIGATION

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[ *In the course of the discussion on the Financial Statement, the Hon'ble Mr. Dadabhoy<sup>1</sup> moved :*

That this Council recommends to the Governor-General in Council that the Imperial Grant for expenditure on Irrigation Productive Works during the next year be increased to 220 lakhs of rupees and that the extra money required be made up by a proportionate curtailment of the Capital Expenditure on Railways.

*Mr. Dadabhoy said that if the paucity of staff was the difficulty, the projects might be carried out through large contractors instead of through departmental agency.*

*Replying to Mr. Dadabhoy, the Hon'ble Mr. Jacob<sup>2</sup> said that the Government was going to spend as much as Rs. 240 lakhs on Irrigation during the next year. He also pointed out that the agency of large contractors for irrigation work had been found too expensive.*

*Participating in the Debate, Gokhale said :* ]

Sir, I am sure the Council has listened with great interest and with sincere pleasure to the statement which the Hon'ble Mr. Jacob has

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1. Sir Banckji Dadabhoy, Government Advocate, Nagpur, 1901 ; President, Provincial Industrial Conference, 1907 ; some time Dewan, Deor State ; Member and President, Council of State, for many years.

2. Secretary, Government of India ( P. W. D. ) and member, Imperial Legislative Council, at the time.

but they devote it to the reduction of debt by increasing the amount available for productive purposes and principally railway construction. Therefore this sum taken out of revenue, which is intended to mitigate the rigours of famine and which is also intended to enable the Government to borrow in times of famine, is being ordinarily devoted to increase the resources of Government for capital outlay on railway construction. Now, Sir, I have been contending again and again in the Council that as our railways earn a very fair rate of interest, and as the credit of Government is excellent, the Government should confine the outlay on railway construction only to such sums as can be raised in the market out of borrowings; and any sums available out of current revenues should be used for other more pressing objects. I would therefore suggest that this grant of half a million or under should no more be devoted to the reduction of debt, because the debt is already very small and I do not think its reduction is of paramount importance. On the other hand, if the same sum was made available for agricultural education, for the organization of rural credit and other measures connected with the material improvement of the peasantry, that would benefit the peasantry far more than the present practice of Government and would enable the peasantry to resist the onslaught of famine better than the course which the Government adopts. I am quite sure the Finance Member will tell us that I am attacking the principle of the Sinking Fund. No doubt I am. I go further and say that in the present state you do not want a Sinking Fund. India must deal with her own problems in her own way, and in India, as I said the other day, the unproductive debt is a mere bagatelle—only 40 millions. Where the unproductive debt is huge, as in England, a Sinking Fund is an absolute necessity; but where it is small and where we want money urgently for other purposes, I think the Sinking Fund is an absurdity. I therefore move that the grant of half a million for next year under Famine Relief and Insurance to reduction or avoidance of debt should now be abolished.

[*The Finance Member, Sir Guy Fleetwood Wilson, in replying to Gokhale, said that if the accounts of the Fund were to be made up since its institution, it would be found that after debiting all the expenditure on protective works, the balance at the credit of the Fund would be about 3½ millions, and this was not excessive, considering that the deficit in a single bad year, 1908-09, was 3½ millions. Replying to the Finance Member, Gokhale said :*]

I should like to say just a word by way of reply to what has fallen from the Hon'ble Member. He himself has given us the figures as to how the Fund stands from 1878 up to now. After meeting all expenditure under Famine Relief and Insurance there is still to the credit side a

ing works by contract agency were introduced by Government, the Government might be able to increase the grant for irrigation. This disproportion between the expenditure on Railways and Irrigation is just now very considerable.

( The resolution was withdrawn. )

*Financial Discussion, 1910-11, Second Stage, 9th March, 1910.*

## REDUCTION IN TELEGRAPHS EXPENDITURE

[ *Gokhale moved the following resolution :*

That this Council recommends that the provision for expenditure on Telegraphs for next year should be reduced by £20,000.

*In moving the resolution, Gokhale said :* ]

Sir, my object in moving this resolution is only to ask for information and not to offer any criticism. I would like to know what has been the financial effect of the changes that were carried out in the Telegraph Department last year. We were told then that those changes would result in a considerable saving. As a matter of fact their immediate effect has been the very reverse, as I find from the figures which have been supplied to us by the Finance Department. Whereas in 1906-07 there was a net excess of receipts over expenditure of 30 lakhs excluding the capital outlay on telegraph wires, for the current year such excess is only three-quarters of a lakh, and for next year it is going to be only one lakh. The immediate effect therefore has been the very reverse of what we were led to expect. I quite recognise however that the changes that were carried out last year must take some time before they produce their full and real effect. Also it must be remembered that a revision of salaries of the establishment that has been carried out recently in all grades must be responsible for a considerable part of this increase. I would like to know how much such revision has cost. I would also like to point out that the practice of spending a considerable amount out of Telegraph revenue as capital outlay on wires seems to be open to criticism, because it handicaps the department in making improvements, and it also handicaps the department in giving the public the benefit of growth of revenue. Moreover, I find that there is no fixed principle which regulates this capital outlay on telegraph wires. The capital outlay has risen during the last six or seven years, though during the last two years it has been reduced. On this point I would like to make one suggestion, and that is, that this capital outlay should be limited to the actual excess of revenue over expenditure. That would save the department from throwing an unfair burden on the ordinary resources of the country.

just now made in reply to Mr. Dadabhoj's speech. He certainly has thrown a good deal of light on points which required explanation. There are, however, one or two things which still puzzle me, and I would like therefore to ask for a little further explanation.

In the first place, as regards the question of contract agency. It is quite true, as the Hon'ble Member has said, that contract work may prove more costly, but, on the other hand, the construction of irrigation works would be more rapid under that system. As a matter of fact, I have read of large irrigation works being constructed mainly by contract agency in Egypt during Lord Cromer's<sup>1</sup> time, and I do not know why, if the thing was found practicable there, it should not be found equally practicable here. I recognise that probably it will cost more, but there is a margin for additional expenditure because we find that the net return for irrigation works, especially major irrigation works—these are the figures for 1907-1908—the net return for irrigation works is about 7·1 as against under 6 per cent. for Railways. Therefore, even if the cost is a little more, the return would not still be less than what you have for railways. There is no doubt that in the past Irrigation and Railways have been treated rather differently. I have got figures here which show that in 1883, 30 per cent. of the total expenditure on public works was on irrigation. I find that by that year about 23 crores had been spent on Irrigation by the State as against 54 crores on Railway. At the present moment only 15 per cent. of the total outlay is on Irrigation, that is, the proportion has dropped from 30 to 15. The Hon'ble the Maharaja of Burdwan<sup>2</sup> wanted specific schemes to be laid before this Council. I think Mr. Dadabhoj might well refer the Maharaja to the Irrigation Commission's<sup>3</sup> Report. There the Commission have recommended schemes costing about 44 crores of rupees, and they have asked that the schemes should be spread over twenty years, because as things are going at present, the works being constructed by departmental agency, they saw no prospect of their being constructed sooner. But surely when there are all these works mentioned there, there should be no difficulty as to what projects might be taken in hand. I really think that though the Commission have recommended 220 lakhs on an average, still if the system of construct-

1. see foot-note 2 on p. 14.

2. *Sir Vijay Chand Mahtab*, Maharajadhiraj of Burdwan, Member, Imperial Legislative Council, 1909-12; Member, Bengal Legislative Council, 1907-18; Member, Bengal Executive Council, 1919-21; Member, Indian Reforms Inquiry Committee, 1924; helped save the life of Sir Andrew Fraser, Lt.-Governor of Bengal, by standing between him and the assassin.

3. see foot-note on p. 65.



Mr. Robertson<sup>1</sup> when he introduced these heads. He has practically admitted the correctness of all the contentions which I wanted to submit to the Council, and therefore I really have not much more to say. Since, however, I have moved this resolution, I may as well mention one or two facts. Taking the Imperial section of expenditure for the last five years, we find that the increase has been from under 15 lakhs to over 20 lakhs. That means an increase of 25 per cent. in five years. This is really a very large increase. Again this morning I consulted the figures for the last twelve years and I find—the figures of the Imperial section alone were not available to me—the cost of stationery and printing of the whole country during the last twelve years has risen from under half a million to over three-quarters of a million sterling, which means an increase of more than 60 per cent. in twelve years. Now, Sir, we were all told that during Lord Curzon's time there was a great reduction in correspondence and report-writing. One would have therefore expected that that reduction would have resulted in a reduction in the cost of printing and stationery. As a matter of fact, however, we find that this cost is going up by leaps and bounds. However, it is satisfactory to note that the matter has already attracted the attention of Government and that steps are being taken to bring about a reduction in these charges.

( The resolution was withdrawn. )

*Financial Discussion, 1910-11, Second Stage, 9th March 1910*

## RAILWAY FINANCE

[ Gokhale moved for a reduction by one crore of rupees in the working expenses under Railways. He said : ]

Sir, I beg to move

That this Council recommends that the provision for the working expenses of State Railways for the next year should be reduced by one crore of rupees.

Sir, I wish it had been possible for me to act on the suggestion which was just now thrown out by the Hon'ble Sir T. R. Wynne<sup>2</sup>, namely, that I should withdraw this resolution as I have done in the case of the two preceding ones. Unfortunately, I am unable to do so. Indeed, so far from withdrawing it, I fear I shall have to ask the Council to divide on it.

1. In the course of his remarks in introducing the head, Mr. Robertson, referring specifically to Gokhale's resolution, had said that Government was doing its best to reduce the expenditure on Stationery and Printing.

2. President, Railway Board.

### Complaints about Working of Telegraph Department

Then, Sir, I would like to draw the attention of this Council very briefly to two complaints of which we heard so much last year. One was about the insufficiency of address: that has been more or less remedied, but I fear it has not been wholly remedied. The second one is still there, and that is the extra full charge that is made for redirecting a message; and this operates sometimes very harshly. I hope the department will see its way to set that right. I do not think the old practice was so very expensive. If there is a redirection to be made, the department should do it, as it used to do it, without any extra charge.

### Re-introduction of Four-Anna Telegram Suggested

There is one more thing which I would like to urge and then I will conclude. I think it would be desirable if the department could revert to the four-anna telegram. I know the analogy of the English telegram of six-pence was principally responsible for the six-anna telegram. But in England six-pence is a small handy silver coin, and in India the coin corresponding to that is our four-anna bit. The six-anna telegram appears to be a little more costly than it should be. Of course I recognise that when we exceed 12 words, for every subsequent word the charge is less than what it used to be before. If the department could see its way to provide for a four-anna telegram of, say, 8 words, I do not think that will cause any loss of revenue. I understand the six-anna telegram has not been much of a success, whereas the four-anna telegram was, and will be again. This is all that I wanted to say.

( After the Hon'ble Mr. Robertson's<sup>1</sup> reply, Gokhale withdrew the resolution. )

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*Financial Discussion, 1910-11, Second Stage, 9th March 1910.*

### STATIONERY AND PRINTING

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[ *Moving his resolution, Gokhale said :* ]

I beg to move the following resolution :

That this Council recommends that the provision for expenditure on Stationery and Printing for next year should be reduced by two lakhs of rupees.

I really do not know that it was necessary for me to move this resolution after the remarks that were made by the Hon'ble

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1. President, Assam Labour Commission, 1906; Secretary, Commerce Department, Government of India, 1907; later Chief Commissioner of C. P.; was deputed to South Africa to represent the views of the Government of India before the Solomon Commission appointed to inquire into Indian grievances (1914).

for working expenses, suddenly there should have been this increase, and they should now ask for 7 or 8 to 12 per cent. more according as you take the year. This certainly requires an explanation. Of course I am quite sure that the money is being well spent, that the money is being spent on improvements, and the Hon'ble Member will no doubt justify this in the name of efficiency—well, we have often heard in this Council of efficiency—we used to hear of it from various quarters during the last five or six years. There has been so much more spent on the Army, also on Civil Departments, all in the name of efficiency. I quite admit that efficiency is desirable, but there must be a limit, even to efficiency. As Lord Salisbury<sup>1</sup> once said; 'All efficiency must be relative,' that is, it must take into account not merely the requirements but also the resources of the people for whom you are going to secure that efficiency; and considering that India is a poor country, I think that the Railway Board might be satisfied with a lower standard of efficiency than what it is evidently aiming at. I think there should be a definite proportion beyond which they should not go in the matter of working expenses. If the railway administrations of this country were satisfied with 47 to 48 per cent. for fifteen years, I do not see why the Railway Board should not impose a similar limit upon itself. It may go a little higher, if necessary, but I think beyond 50 per cent. the working expenses should not be allowed to go in any particular year. If anything like that were to be done from next year, as you estimate your revenue at 44 crores, your expenditure would be 22 crores or somewhere there, and you would have about 3 crores for the Finance Minister; and I am quite sure he would not have put upon us the extra taxation that he did the other day.

### Budget Systematically Exceeded

Then, there is another point to which I want to draw the attention of this Council, and that is this: that for the last four years the Board or those who are responsible—because I am afraid it is the railway administrations that are carrying out unauthorised works, who are really responsible—in any case we have to hold the Board responsible in this Council and the Board will hold the administrations responsible in its turn—but for the last four years we find that the budget is being systematically exceeded in the matter of working expenses. In the first year it was only a slight excess. In 1906-1907 it was only an excess of 10 lakhs; in 1907-1908 the excess was 2½ crores; in 1908-1909 it was 2½ crores over the budget allotment for working expenses. This year, owing to the great row that was made, there has been of course

1. see foot-note 1 on p. 33.

## Extraordinary Growth of Working Expenses

In moving this resolution, Sir, I beg leave to express, if I may presume to do so, my sympathy with the Railway Board for the fact that they seem to stand between two fires. Judging from the speech of the Hon'ble Member, I find that the railway administrations as represented by their Boards in London are complaining about the control exercised by the Railway Board. We, on the other hand, in this Council, some of us at any rate, are inclined to complain of the manner in which the working expenses have been allowed to go up. Of course I am a mere outsider and a layman. I cannot go into the technical portions of this railway administration; but I can look at railway finance in a general way; and looking at railway finance in a general way, I have come to certain conclusions which I would like to lay before this Council. There is no doubt that this railway finance has been responsible during the last three or four years for the deterioration in the country's financial position. We find that in the year 1906-1907 the net profit from railways which the country derived was about £2½ millions; in 1907-1908 it was about £1½ millions. In 1908-1909, instead of a net profit, there was actually a deficit of £1½ millions; during the current year there was a gain of about £860,000; and during the next year probably under half a million is expected to be realized as profit. The position, therefore, in five years, has come down from £2½ millions to about half a million profits, and that naturally must set us thinking. I have looked into the figures somewhat closely on that account, and I find that there are certain things which require explanation. The first thing that strikes one looking into these figures is the extraordinary growth of working expenses during the last five years, *i. e.*, since the Railway Board came into existence. The Railway Board came into existence in 1905 and the working expenses have been going up steadily from that year. I have consulted the figures for fifteen years from 1890 to 1905, *i. e.*, up to the date the Railway Board came into existence. The working expenses during that period were between 46 and 48 per cent. of the gross receipts uniformly. There was only one year in which the proportion was 49. Otherwise, throughout, the proportion was 46, 46½, 47 and up to 48. From the time that the Railway Board however came into existence—from its very first year—this proportion has been going up. After the proportion had been stationary for fifteen years we find in 1906 the proportion rose to 50; from 47 or 47½ it went up to 50; in 1907-1908 it went up to 57·5; in 1908-1909 it went up to 62 per cent.—that was a year of deficit. In 1910, the current year, it is 55·3, and for the next year it is expected to be 56·6. Now, I cannot understand why if for fifteen years they were satisfied with 47 or 48 per cent. of gross receipts

ence of opinion, but apart from other things—whether the thing would be immediately more costly or less costly, on that I have heard two opinions—there is one distinct advantage which I claim for this, and that is that in the end State management will be more economical. You compare the ordinary public works list—the personnel of the Public Works officers with the personnel of Railway officers. Throughout you will find a practical exclusion of Indians from the higher ranks of the railway service. Whereas in the Public Works Department a considerable proportion consists of Indians, in the Railway service it is only here and there that you find an Indian; for the most part Indians are carefully shut out. Now, if all these railways were managed by the Government the Government would, in the first place, be more sympathetic with our aspirations than Boards sitting in London, and secondly, the Government would be more responsive to any pressure of opinion put upon it. The Boards being in London, we may say what we like, they go on doing what they please, and the agents here must obey their directors there. Therefore, as long as the management is in the hands of Companies, the exclusion of Indians from the higher ranks of the railway service must continue, whereas if the management were to pass over to the Government, there would be a more steady employment of Indians in the higher ranks of the service, and this in due course is bound to lead to greater economy in the management of railways. I move the resolution which stands in my name.

[ *Sir T. R. Wynne, Chairman of the Railway Board, having opposed Gokhale's motion, Gokhale made the following reply. He said :* ]

I would like, Sir, to make a brief reply to the observations that have fallen from the Hon'ble Sir T. R. Wynne. He pointed out that in 1909 the net earning under Revenue, as it is called here, was 12.43 millions, which was virtually the same figure as what you have in the accounts of 1906-1907, namely, 12.52. Now that is quite true. But the Hon'ble Member should not have left out of consideration the fact that between those years a large amount had come to be spent as capital outlay on railways, and there must be interest on that capital expenditure. Therefore, the very least that the year 1909 should have shown to be regarded as equal to 1906 was to show the same net amount of revenue as 1906, plus the interest on the capital expenditure during the three years. Well, I find, looking at the amount of interest on debt, that in 1906 the interest on debt was 5 millions' whereas in 1909 the interest is 5.67; that is, two-thirds of a million roughly represents the interest on the additional amount that had come to be expended as railway capital. Now, if only these railways had earned this two-thirds of a million more, under the net earnings, instead

a great decrease in this excess, but still there is an excess of 11 lakhs. Now I think that this is a thing to which exception must be taken. I think it is most objectionable that the budget allotment should be exceeded in this manner. I think in this matter I could not do better than quote the words which were employed last year by His Honour Sir Edward Baker<sup>1</sup> in speaking of this question, namely, that the Railway Board had been exceeding its budget in the matter of working expenses. This is what His Honour said. Possibly he used sharp language because his own budget had been upset. I will read the language that he used :

I am constrained to say that the explanation presented in the memorandum of the Railway Board seems singularly inadequate. Something is doubtless due to the cost of coal, though we are not told what it amounts to. Grain compensation is said to amount to 23½ lakhs or £157,000, i.e., less than one-tenth of the total excess. Floods on the North-Western Railway are called into account for some unspecified part of the remainder; but I seem to remember hearing of similar floods for several years before on that line. A great deal is attributed to repairs and renewals and we are told that commitments have been entered into which could not be stopped. I will not stop to consider the question whether any railway administration is at liberty to enter into commitments of this kind which cannot be modified or contracted if the ensuing year is one of deficit. But I do affirm without hesitation that any administration which contemplates doing so is bound, by all the canons of finance and commonsense, to provide for the corresponding expenditure in its estimates, and in the present instance we have to face the plain fact that the working expenses, in spite of a heavy reduction in the traffic carried, have exceeded the estimates by not much less than a million and a half.

This is strong language, but it is not mine; it was used by one who had been Finance Minister for four years, and I am quite content to leave the question as it is there between Sir Edward Baker and the Hon'ble Sir T. R. Wynne.

I think that just as there must be a certain definite proportion beyond which working expenses should not be allowed to go, so also it must be definitely and distinctly laid down that under no circumstances whatever should the budget allotment for working expenses be exceeded. I think that the Finance Department has a right to expect that, and that the Council, as interested in economy, has also a right to expect it.

### Preference for State Management of State Railways

Having made these two complaints, I would now like to make a suggestion, and that is that I think it would be very desirable if State railways were managed by the State instead of their being managed by Companies. I know this is a question about which there is a differ-

1. see foot-note on p. 51.

## BUDGET SPEECH, 1910

[ *The general debate on the Budget for the year 1910-11 took place on 29th March 1910, Lord Minto, the Viceroy, being in the chair. In the course of the debate, Gokhale made the following speech.* ]

### Accuracy of Finance Department Estimates Questioned

My Lord, when the Tariff Bill was under discussion in this Council last month, I took the opportunity to offer some general criticism of the Financial Statement which had then been laid before us by my Hon'ble friend the Finance Minister. In the course of that criticism, I had ventured to observe that, in my opinion, the estimates of revenue were under certain heads underestimates. In reply to that, my Hon'ble friend Mr. Meston<sup>1</sup> told us that it was not usual for any one in this Council to question the accuracy of the figures supplied by the Finance Department. My Lord, I confess I was surprised to hear that statement. My Hon'ble friend will pardon me if I say that my experience of this Council is much longer than his, and it is not only not correct to say that it is unusual to question the accuracy of these figures, but I should go further and say that the reverse of that statement will be the correct one. It is true that during the last four or five years, no occasion has arisen to question the accuracy of the figures supplied by the Finance Department, but if my Hon'ble friend will turn to the debates of this Council between 1902 and 1905, he will find that every year a complaint was made that the estimates of revenue were underestimates. During the time of Sir Edward Law,<sup>2</sup> no answer was received to this complaint, but in 1905, when His Honour Sir Edward Baker<sup>3</sup> became Finance Minister, he took notice of it and admitted its substantial correctness. If the Hon'ble Member will turn to the Financial Statement of 1905-1906, he will find there a paragraph, called 'Comparison of Estimates with Actuals,' in which Sir Edward Baker observes as follows :

It is sometimes made a reproach against Government that their estimates of revenue and expenditure are wanting in accuracy, and that the actual results when made up at the end of the year, are apt to differ somewhat widely from those forecasted in the budget at its beginning. Latterly this charge has taken the form of a suggestion that we habitually underestimate our revenue and overestimate our expenditure.

Then, after comparing the practice of England and several of the continental countries, Sir Edward Baker goes on to admit that there

1. see foot-note on p. 162.

2. see foot-note on p. 51.

3. see foot-note on p. 76.

of having only £760,000 as our profit last year, we should have had nearly a million and a half. Therefore, I do not think that point really helps the Railway Board very much. The Hon'ble Member also said, if you want improvement, you must pay for it. We no doubt want improvement, but not at this rapid pace. We shall be quite content with a slower pace of improvement provided it does not cost us so much. Of course, if double the revenue that the Hon'ble Member gets at present were placed at his disposal, I have no doubt he would employ it easily, and we should have a most perfect system of railways. The question is whether the country can afford it. The Hon'ble Member also said that, if this resolution were pressed, it would be necessary to reduce the operative part of the expenses, and that might mean the dismissal of a number of my countrymen. Well, I am not really frightened by that. I find on looking up the lists here, that most of the men in the higher branches at any rate are the Hon'ble Member's countrymen and not mine, and if he were only to dismiss my countrymen, well, he would not get much out of that. If he wants to make a substantial reduction, he will have to get rid of some of his own countrymen.

I will say only one thing more, and that is with regard to what the Hon'ble Malik Umar Hayat Khan<sup>1</sup> said. The Hon'ble Member's faith in everything that the Government does is most touching; he stands by the Government even where the Hon'ble Sir Edward Baker criticises it. Nobody ever said that the grain in the Punjab should not be carried; the question is whether the expenditure which the Railway Board is incurring, whether all this increased expenditure, was required. I have already pointed out that, since the Railway Board came into existence the working expenses have steadily risen, and no reply has been given to that. Of course improvements, I understand, are required, but why should these improvements have suddenly become necessary on this scale during the last five years, when we had gone on without them for the last half century? I am sorry I must say that I am not convinced by what the Hon'ble Member has said, and I must therefore ask that this resolution be put to the vote.

(The resolution was put and lost, 11 voting for and 34 against.)

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1. Nawab Sir (Muhammad) Umar Hayat (1874-1944); saw active service in Somaliland (1903), Tibet (1904) and on the staff with the Indian Expeditionary Force in France (1914-15); Member, Council of India, (1922-34)



year we had ten consecutive surpluses ending with the year 1908. Let us, therefore, see what were the special features of the financial position during that time, and what use was made of the prosperous finances of those years by the Government. It will be found that there were four distinctive features of this period. The first was that there was a large saving in the cost of the home remittances of the Government, owing to exchange having established itself at the steady rate of 1s. 4d. to the rupee in the year 1898. The second was an improvement in the Opium revenue, which, before 1898, had been steadily falling for a number of years. The third was the expansion, the more than average expansion, of the ordinary revenues of the country. And the fourth was an improvement in the Railway revenues of the Government. These four causes combined to give the Government large surpluses, and the Government utilised the position in the first place to remit a certain amount of taxation and then to sanction a large amount of increased expenditure in various directions.

I would respectfully invite the Council to consider this matter carefully. It has been said by some critics that the present difficulties of Government have arisen from the fact that during those fat years Government remitted taxation which should not have been remitted. Now, my Lord, I must protest strongly against this view. If the Council will look at the amount of taxation remitted during those ten years, it will find that the total of remissions came to about four millions sterling, or six crores of rupees. But owing to the artificial rise in the rupee, the savings of the Government on their home remittances also had come to about five and a half crores of rupees. What had happened was this. The Government had gone on adding tax after tax in the period preceding the year 1898, so as to secure a balance between revenue and expenditure and even a surplus, no matter what the level of exchange was, and thus even when exchange was at its lowest, as it was in the year 1894, namely, at 13d. to the rupee, the Government were able to show not only an equilibrium between revenue and expenditure, but also a small margin as surplus. As the exchange value of the rupee steadily went up, the level of taxation remaining the same, it meant a steadily increasing surplus at the disposal of the Government. By the year 1898 exchange established itself firmly in the vicinity of 16d. to the rupee. Now, a rise of 3d. in the value of the rupee meant a saving of 5½ crores in the cost of home remittances. Therefore, when the Government of India remitted taxation to the amount of six crores, they practically gave back to the tax-payers only what they had saved on their home remittances. The remissions were thus not taken out of their ordinary revenue; they merely represented the savings effected in the cost of the home remit-

was much in that charge that was true. He naturally says all that he can in favour of the old practice, and then proceeds :

I would not, however, be understood to contend that the criticisms to which I have referred are wholly without justification. That would be an overstatement of the case. Even when allowance is made for the disturbing elements to which allusion has been made above, the figures in the statement in paragraph 52 show that during the last three years the revenue has exceeded the estimate by more than these causes fairly explain. This feature probably has its origin in the former uncertainty of sterling exchange. So long as all growth of revenue and the fruits of all retrenchment were liable to be swallowed up by a fall in exchange, it was common prudence to frame the estimates in the most cautious manner, and to take no credit for developments of revenue until they were absolutely assured. When this factor was eliminated, traditions of excessive caution remained, and due allowance was not always made in the estimates for the normal expansion of the growing heads of revenue.

Here, then, is an admission by a former Finance Minister that for a number of years, it was the habitual practice of the Finance Department to underestimate revenue owing to causes which have been explained by him. *My Lord, this is in reality a small matter; but the statement made by the Hon'ble Mr. Meston, if allowed to remain uncontradicted, might cause serious inconvenience hereafter, because objection might again be taken to any suggestion as to underestimates or overestimates. I believe my Hon'ble friend mistook what is a rule for the new Council for the practice of this Council in the past. There is undoubtedly a rule among the new rules that in framing resolutions that a member wants to move, the accuracy of the figures supplied by the Finance Department shall not be questioned. That applies, however, only to resolutions and not to any general criticism of the financial estimates that may be offered.*

### Opposition to Extra Taxation in a Normal Year

*My Lord, this year's budget has come upon us all as an unpleasant surprise. The feeling is like that of a person who is walking securely on the ground, and, all of a sudden, discovers a yawning gulf before him. After a great number of years—after ten years—of consecutive surpluses, we first came to a year of a heavy deficit, due, as we then understood, to famine. Then there was what appeared to be a normal year, and we have now another normal year in which, however, extra taxation has been imposed on the people. This circumstance, namely, the levying of extra taxation in a normal year, suggests that something is wrong with the financial position of the country, and in any case, it suggests an inquiry. I have given some attention to this question, and I find that the results are such as to cause apprehension. My Lord, for a correct understanding of this question it is necessary to pass under brief review the finances of the ten years from 1893 to 1903, because our series of surpluses began with the year 1893. From that*

the increase in civil expenditure had been excessive during the five years which had preceded His Lordship's administration. Now the increase in civil expenditure during those five years had been only about 2½ crores, the expenditure rising from about 22 crores to about 24½ crores. And yet this increase was regarded by Lord Dufferin as excessive. Judging by that standard, I wonder, my Lord, what we are to think of the increase of 15 crores in the ten years from 1898 to 1908! Again, taking the period 1888-1898, what do we find? I do not wish to take the Council through a mass of figures, but I will only state the results of my calculations, giving this assurance to the Council, that I have taken every care I could to compare likes with likes only. Taking the period of ten years immediately preceding 1898, we find that the increase in civil expenditure was from about 24½ crores to about 29½ crores, or about 5 crores in ten years against 15 crores in the ten years following 1898. We thus have the following results: if the increase during 1898 to 1908 had been at the same rate as during the five years 1881-1886, when in Lord Dufferin's opinion the civil expenditure had grown enormously, it should not have been more than 4½ crores! Had the rate continued to be what it had been during the ten years preceding 1898, the increase would not have been more than about 5 crores! But instead of these figures, we have here an increase of no less than 15 crores! This shows what the era of surpluses has done to push up civil expenditure! Turning next to military charges during the period, we find the same kind of growth. From 1888 to 1898 the military charges grew by about 3 crores a year, or from 22½ crores to 25½ crores; but from 1898 to 1908 they rose by about 5½ crores a year, that is, from 25½ crores to about 31 crores. The whole position therefore is this, that during the ten years 1898 to 1908, while six crores were remitted in taxation, the annual civil expenditure was allowed to grow by 15 crores, and about 5 crores of additional expenditure was incurred every year in connection with the army; this gives an increase of about 20 crores in civil and military expenditure in the course of ten years, or an average growth of 2 crores a year.

### Inquiry into Growth of Expenditure Demanded

My Lord, every one must admit that this is a phenomenal increase, considering that the normal growth of revenue ordinarily has been estimated by a previous Finance Minister at only about one crore and twenty lakhs. I think these figures suggest—to my mind they imperatively suggest—the necessity for an inquiry into the growth of civil and military expenditure during the last ten years. This need of inquiry is all the greater because there is a serious situation in front of us now in connection with the Opium revenue. We all know that the Opium

tances. We may, therefore, put aside these two items, namely, the savings on the home remittances, and the amount of remissions granted to the people, during the period we are considering. So much for remissions of taxation.

### "Amazing" Increase in Civil and Military Expenditure

Let us now consider the amount of increased expenditure sanctioned in different directions. My Lord, the first six years of this period were a period of 'efficiency,' or, as one of my friends has said, efficiency with a capital E. The result was that expenditure was pushed up by leaps and bounds in various directions. A comparison of the expenditure for 1908-09, for which complete figures are available, with the year 1898-99, will reveal certain startling results. It will be found, for instance, that the civil expenditure of the country grew during this period by about 16 crores, including in such expenditure the charges of collection, the salaries and expenses of civil departments, miscellaneous civil charges and civil works. I may mention that from the charges of collection, I omit, for obvious reasons, opium and provincial rates, as also refunds and drawbacks and compensations and assignments. The figures for 1908-09, however, include the expenditure for Berar, whereas those for 1898-99 do not. It is necessary therefore to exclude Berar figures from the year 1908-09. Even then we find that the increase in civil expenditure comes to about 15 crores, the expenditure having risen from about 29 crores to over 44 crores. My Lord, I venture to think that this is an amazing increase. If the Council will compare this increase with the growth of expenditure during the previous ten years, as also with the five years, 1881 to 1886, the contrast will appear most striking. The Council may remember that in 1886, Lord Dufferin's<sup>1</sup> Government found itself in a position somewhat similar to that which the Government of India occupy today. From 1881 to 1885 the country had enjoyed what may be called financial prosperity. There was remission of taxation in consequence and also increased expenditure and the result was that when lean years came in 1886 and the frontier policy of the Government necessitated heavy additional military expenditure, Lord Dufferin found himself driven to appoint a committee<sup>2</sup> to carefully inquire into the growth of expenditure; and one of the reasons adduced for the appointment of that committee was that

1. see foot-note 3 on p. 14.

2. This Committee was appointed in 1886 with Mr. C. A. Elliott, Chief Commissioner of Assam as President "for the purpose of examining expenditure, whether Imperial or Provincial, and reporting to Government, within as brief a period as may be possible, what economies are therein practicable." It is noteworthy that Rao Bahadur M. G. Ranade (later Mr. Justice Ranade) was one of its members and appended to its report a memorandum of dissent.

for some time, the rise in prices will make up, and perhaps even more than make up, for the reduction in the number of chests, with the result that during the next two or three years the Government may not necessarily get a smaller amount as their Opium revenue than at present; but when the maximum price is reached, then there will be a sudden and precipitate drop and in the course of three or four years following the Government will have to be prepared to face the extinction of the whole of this revenue of about 5½ crores. And it is easy to foresee what will then happen. If all of a sudden, say, 2 crores were to be lost in any particular year, I am quite sure that the Finance Minister will again urge the same plea that he has urged this year, that it is not possible to arrange for economies sufficient to cover such a loss all at once. And then fresh taxation will again be imposed upon the people as was done this year. Unless, therefore, Government take credit only for a steadily diminishing Opium revenue and arrange to keep all excess above that figure as a windfall or extraordinary revenue to be devoted to non-recurring expenditure, I am quite sure they will not feel the same incentive to retrenchment, and the results will be deplorable.

My Lord, I have urged an early, I would even say an immediate, inquiry into the growth of expenditure on two grounds—first, because there has been this vast growth in civil and military expenditure, and secondly, because the Opium revenue is to disappear in seven years. I think the Government has no choice now but to pursue a policy of rigorous retrenchment, and for that a necessary preliminary is an inquiry such as I have suggested. But while the present high scale of charges on both civil and military administration requires to be cut down, an increase, and even a large increase, of expenditure is necessary on objects intimately connected with the real well-being of the people, such as primary and technical education, sanitation and relief of agricultural indebtedness. And if retrenchment will not produce the money required for these objects, I for one shall not shrink from advocating additional taxation for the purpose. Only, the resources of retrenchment must first be exhausted, before those of additional taxation are drawn upon. My Lord, we feel strongly that the present expenditure on the objects I have mentioned is most inadequate, and unless the Government are prepared to spend far larger sums in these directions, the discontent which we see on all sides at present will not in reality diminish. This question is to us a question of the most vital importance, and it is only in the measure in which the Government deal with it that they will have identified themselves with our best interests.

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revenue is doomed, that it will be extinguished altogether, if things go on at the present rate, in the year 1917 *i.e.*, in about seven years from now. In this connection, I must express my dissent from my Hon'ble friend Mr. Chitnavis,<sup>1</sup> who has urged that we should ask the Imperial Government to make a contribution to the Indian Exchequer in order to compensate us for the loss of Opium revenue. My Lord, I do not think that it will be a dignified course on our part to ask for such a contribution. It is we who have financially benefited in the past by this Opium revenue, and it is we who must be prepared to bear this loss when the Opium revenue is extinguished, seeing that the stain that will then be wiped away will be wiped away from us. We must face the situation ourselves, and I think if only the Government will be sufficiently careful, it is possible to do, and even do well, with a diminishing Opium revenue. But one thing it is now absolutely necessary to do in connection with this Opium revenue, and that is that from next year Government should take into account only a steadily diminishing figure as Opium revenue for recurring purposes. What I mean is this : the whole of this revenue, which for next year is taken at about 5½ crores net, has to be extinguished in seven years. The Finance Department should, therefore, take as ordinary revenue only a descending series of figures, terminating in zero in seven years, for each succeeding year, and all excess over that figure should be treated as a windfall or extraordinary revenue to be devoted to extraordinary purposes, such as non-recurring expenditure on education, sanitation, and so forth. My Lord, I submit this course should have been adopted three years ago, so that the burden of a diminishing revenue should have been evenly distributed and the great need of retrenchment realised in time. I trust the Council will remember that when His Honour Sir Edward Baker enunciated the new Opium policy of the Government of India three years ago, he assured the Council that the sacrifice could be made without a resort to extra taxation. That meant that the steadily widening gap made by a diminution in Opium revenue would be met by economies, unless the growth of revenue under other heads sufficed for the purpose. And yet here we have my Hon'ble friend, the Finance Minister, coming to the Council in a normal year with proposals for additional taxation on the ground of a diminishing Opium revenue ! My Lord, recent discussions have made it abundantly clear that the course I am urging is necessary, if a policy of steady retrenchment is to be followed and a sudden financial crisis to be averted. What is happening at present is this : owing to the reduction in the number of chests, the price per chest is rising. Probably this will go on for some time, and we may even reach four thousand rupees per chest. So

1. see foot-note 2 on p. 127.

he was a smoker himself. This year, my friend Mr. Haque has gone one better, because, though he loves the cigar very well, he stands up to resist its being cheapened, and he does not even claim credit for disinterestedness. Well, I cannot lay any claim to such disinterestedness as theirs in this matter, because I am no smoker; but my interest in the question is that of the general public, who, I think, are more interested in cheaper petroleum than in cheaper tobacco. Sir, the Hon'ble Mr. Haque has given expression to a suspicion which is widely entertained that the Government of India are not in this business a willing party. I do not know whether the suspicion is well founded; the Finance Minister will, I hope, tell us about that when he rises to reply. But one has only to compare the emphatic manner in which he insisted on raising these tobacco duties last year and the almost apologetic manner in which he has expressed himself in reducing them—and the contrast between the two is most striking—to realise that the heart of the Finance Department is not in this measure of relief. *The Finance Department always loves to dwell with some degree of satisfaction on any relief in taxation which it is able to give to the public.* In this case, however, the matter is barely mentioned and then sought to be stowed out of sight as if the Finance Minister would rather that the people did not notice what he has done. Sir, last year, when the Hon'ble Member enhanced these tobacco duties, he expressed himself as follows:

The present taxation—5 per cent. *ad valorem* on manufactured and nothing at all on unmanufactured tobacco—is ludicrously inadequate. In 1907-08 over 6 million pounds of tobacco were imported into India, and all that it paid to Government was £25,000; in England it would have paid 40 times as much. What we now propose is a set of rates which, in the case of cigarettes, is represented by Rs. 2 a lb. They may diminish imports for a time, but incidentally they may check the rapid growth of the cigarette habit, which is not without its danger to the rising generation in India.

It will be seen that a reduction in the imports was clearly foreseen by the Hon'ble Member, and the diminished imports, therefore, do not lend much support to the course that he has adopted this year. In now reducing these duties, however, this is what the Hon'ble Member says:

In discussing the yield of the new taxes which were imposed last year, I mentioned that we had been disappointed in our estimate for tobacco. The sudden rise in duties dislocated the import trade for a time, though it is possible that business would gradually have adapted itself to the new conditions. But we are informed that the rates which we selected have hit severely those particular forms of the tobacco industry in India which depend on an admixture of the foreign with the indigenous leaf. We are also doubtful whether our experiment has given us rates which are likely to combine the maximum of revenue with the minimum of hardship. It has been decided, therefore, to propose a reduction in the duties

## INDIAN TARIFF (AMENDMENT) BILL, 1911.

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[ At a meeting of the Imperial Legislative Council, on 7th March 1911, Mr. J. L. Jenkins, the Vice-President, presiding, Sir Guy Fleetwood Wilson moved that the Bill further to amend the Indian Tariff Act, 1894, be passed. The object of the Bill was to reduce the duties on imported tobacco by about one-third. Mr. Mazhar-ul-Haque<sup>1</sup> moved an amendment proposing "that the Bill before the Council be taken into consideration this day six months," Golchule in supporting the amendment made the following speech. ]

### Protest Against Reduction of Tobacco Duties

Mr. Vice-President, I desire to join in the protest which my Hon'ble friend Mr. Haque has entered against the course adopted by Government in proposing this reduction of tobacco duties. But before doing so, I would like to offer, if the Hon'ble the Finance Minister will let me, my warm congratulations to him on the most interesting and luminous Financial Statement that he has presented to this Council. I think students of Indian finance will readily recognise that in its exposition of financial principles the Statement is one of the most striking that has ever been laid before this Council, and so far as the far-reaching character of some of its announcements go, it will probably take rank with those few which have now become of historic importance in this country. The Hon'ble Member has been half-way through his tenure of office as Finance Minister, and his last two Budgets had to be framed amidst great difficulties and were adversity Budgets. We all therefore rejoice that this time he has had to frame his Budget under more favourable circumstances, and we do so as much on his own account as in the interests of the public generally.

While, therefore, my feeling for this Budget is one of genuine satisfaction, I must say that I do not regard all the budgetary dispositions that the Hon'ble Member has made with entire satisfaction; and I believe the Hon'ble Member himself does not expect any member to do so. One of the least satisfactory features of this Budget is this reduction of the tobacco duties by about one-third. Last year, if I remember aright, the Hon'ble Member took great credit to himself for his disinterestedness, because he was taxing tobacco though

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1. Mr. Mazhar-ul-Haque, one of the founders of the All-India Muslim League, 1906; elected to the Imperial Legislative Council, 1909; a staunch supporter of the Indian National Congress.



leum were entitled to that relief first. I find from the figures about the consumption of petroleum that the imports of foreign petroleum show a considerable diminution. Now, petroleum is, as everybody knows, a necessary of life and not an article of luxury, and when the imports of petroleum go down, it means that the poorer people have undoubtedly suffered some inconvenience. If there is less tobacco smoked in the country, I do not suppose any one is any the worse for that; if people smoke inferior cigars and cigarettes, that also is a matter that concerns them alone. The foreign manufacturers are no doubt affected, but we are not concerned with them. But when the imports of petroleum are reduced, that is a serious consideration for the Finance Minister, because that means that the mass of the people are being subjected to a great deal of unnecessary hardship. I find, Sir, that the quantity of petroleum consumed during the year previous to the enhanced duty was about 136 millions of gallons, while that for the current year shows a reduction of about 8 million gallons—the figure for this year is 128 million gallons. Coming to an analysis of the figures, we find that while foreign petroleum has fallen from 62 to 50 million gallons, Burma oil, which pays no duty, has risen only from 74 to 78 million gallons. When these duties were raised last year, it was expected by some that the result of it would be to push up the consumption of Burma oil which pays no duty. But as a matter of fact the rise in the consumption of Burma oil has been only about 4 million gallons as against a fall of 12 million gallons in the foreign petroleum. When these duties were under discussion in the Council, some of us urged that one result of the enhancement of the duties would be to enable the owners of Burma oil to push up prices. I understand from the Hon'ble Mr. Gates<sup>1</sup> that prices had really already been pushed up about a month before the duties were raised by an agreement between the Burma Company and foreign companies. And when the duty was raised and a difference created in favour of Burma petroleum, the Burma Petroleum Company was not slow to take the fullest advantage of the situation to earn extra profits. The enhanced petroleum duties, therefore, ought, in my opinion, to be reduced as soon as possible. In any case, if any relief can be granted, if the Hon'ble the Finance Minister can spare any money, that ought to be devoted to a reduction of the petroleum duties in preference to the tobacco duties.

( Mr. Haque's amendment was ruled out of order by the President and the original motion of Sir Guy F. Wilson was put to the vote and passed. )

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1. Financial Commissioner of Burma, and Burma's representative in the Imperial Legislative Council.

of about one-third all round, and a Bill to give effect to this change will be introduced today. On the assumption that it will become law I have raised the yield of our tobacco duties by about 5 lakhs in the Budget.

The last sentence, Sir, is really quite the most interesting in its own way. As I have already said, the Hon'ble Member had clearly foreseen the reduction in the imports: therefore that could not have come upon him as a surprise. He says, however, that by reducing these duties now it would be possible to raise a higher revenue. I have looked into the figures that have been supplied by the Hon'ble Mr. Meston<sup>1</sup> to Mr. Haque<sup>2</sup>, and from these figures I find that the yield of the tobacco duties this year is about 30 lakhs. Five lakhs more means 35 lakhs for next year. For the reduced duties to produce this sum, the consumption must increase by about 75 per cent. A small calculation will make that clear. The Hon'ble Member must, therefore, expect that by reducing these duties by one-third he will push up the imports by 75 per cent. Now, in the first place, he has got to explain what has become of his solicitude for the welfare of the youth of this country, as my Hon'ble friend Mr. Haque has called upon him to do; secondly, I would like to know what are the grounds on which he bases this expectation, namely, that if he reduces these duties by one-third, the imports will rise by about 75 per cent. It really looks, Sir, as though there was something more behind, and it is very unfortunate that there should be room for such a suspicion as that. As I have already observed, I hope the Hon'ble Member will disabuse our minds of this suspicion, and if he does this no one will be better pleased than myself.

### Preference for Petroleum Duty Reduction

But if there has really been pressure from England in this matter and the Government of India are a mere unwilling party to the reduction, I deem it my duty to protest strongly against such pressure from England. In matters involving large policies the decision must, of course, be with the Imperial Government in England; but in these smaller matters I think that the Government of India ought to be left free. Sir, in another part of his Budget Statement, the Hon'ble Member insists on the fact that in view of the threatened extinction of the Opium revenue the Government cannot afford to relinquish any part of the revenue they enjoy at present. After that emphatic statement, it is rather curious that these tobacco duties should have been selected for reduction this year. If the Hon'ble Member was in a position to afford relief to anybody, there is no doubt that the consumers of petro-

1. see foot-note on p. 162.

2. see foot-note on p. 192.

The President: Last year we were at the beginning of things and possibly some degree of laxity was permitted. But this year I do think that it is very necessary that we should, in dealing with the Financial Statement, limit ourselves to financial questions and merely to financial subjects as they are given in the Financial Statement. Under the rules each resolution must relate to a definite entry in the Financial Statement. Under another rule the discussion must be confined to the subject to which the resolution relates. If these two provisions are read together, I think it will be evident that the discussion of the Financial Statement is only intended to extend to the entries in the Financial Statement for the year which we are discussing. As I have said, if incidentally in proposing alterations in any entry in the Financial Statement it becomes necessary to discuss the policy of Government a change of which will be necessary to give effect to a proposal which an Hon'ble Member may make, then the discussion of that policy would be quite in order. But what I think would be objectionable would be to raise general questions of policy which cannot be given effect to in this Financial Statement, which may perhaps be given effect to in future and in future Financial Statements. For instance (an example will possibly be of more use than a great deal of description), I think it would not be legitimate for an Hon'ble Member to propose, say, a reduction of one rupee or any other arbitrary sum under the head of Education and under cover of a resolution of that kind to embark upon a discussion of free and compulsory primary education, the pay of masters of secondary schools, and so forth. I think that when we come to the discussion it will be found that the principles which I have laid down will work quite smoothly.

Gokhale: Once again, Sir, if you will permit me—since what you have said will apply to a number of my resolutions—I wish to point out one or two things. The rule which regulates the form of the resolutions that we may bring before this Council during these two stages of the discussion of the Financial Statement is rule No 6. It requires that the resolutions shall be clearly and precisely expressed and shall raise a definite issue, and that they shall be directly relevant to some entry in the Financial Statement. So far as the rules are concerned, these are the only two requirements in this connection. Now, Sir, let me mention what took place last year. Take the head of expenditure on Stationery and Printing. I moved for a reduction of charges, and all that I did in support of my motion was to show how the charges had been growing for a number of years. The Hon'ble Mr. Robertson, who was then in

## INTERPRETATION OF RULES

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[ *Before proceeding to a discussion of the Financial Statement, on 7th March 1911, the President, ( Mr. J. L. Jenkins ) made the following preliminary remarks :* ]

The President : Before we proceed to a discussion of the Financial Statement, I wish to make some remarks which may be of assistance to Hon'ble Members who have resolutions upon the paper. The Financial Statement is laid before this Council for definite purposes which are stated in the rule, and the discussion of it ought to be confined to these purposes. Thus, when an Hon'ble Member proposes a reduction under any head of expenditure, he ought to explain how the reduction is to be effected, and how it is to take effect in the year to which this Financial Statement relates. If the change which he proposes necessitates any change in the policy of Government, it is open to him to discuss that policy. It is not however open to him to enter upon questions of general administrative action and policy. The resolutions on the Financial Statement must in short be genuine financial resolutions. They must not be used merely as devices for raising debates in the Council upon subjects which are not connected with the substance of the resolution. Government have no wish to stifle discussion, but Hon'ble Members have full opportunity to move resolutions on questions of general public interest and at the last stage of the budget discussion to raise discussion regarding the general financial policy of Government. But it is very necessary that the discussion of the Financial Statement should not be used for purposes other than those which they are intended to serve. I hope that I shall have the support of the Council in maintaining this principle. It is absolutely necessary if the Financial Statement is to be discussed in a practical and business-like manner.

Gokhale : May I ask, Sir, in order to be clear in my own mind as to what you have said, whether the kind of discussion that was permitted last year is to be permitted this year or not. If you will refer to the proceedings of last year, you will find that Members were allowed to propose reductions under certain heads and then bring up the financial aspects about those heads in this Council. Of course, if we touch upon larger questions of policy, we should be ruled out of order. But if we confine ourselves to the financial aspects of a question, we are clearly in order. This is what was done last year, and I would like to know whether it would or would not be permitted this year.

secondly, that they should be clearly and precisely expressed and should raise definite issues; and, thirdly, what you mentioned yesterday, that the discussion should be limited to the subject of the resolution, and should not extend to any matter as to which a resolution may not be moved. In addition to these requirements, however, it appeared to me yesterday that two other limitations would be introduced by the interpretation placed on these rules by you, if that interpretation, as understood by me, were to be enforced. One is that the proposers of resolutions should also state how effect is to be given to their proposals, and secondly, that the whole of the proposals, whatever they may be, should be such as could be carried out during the year following. Now, Sir, if your first dictum merely means that we should indicate in our speeches, supporting our resolutions, what steps may be taken by Government to reduce or raise expenditure, as the case may be, in the direction indicated by us, I have nothing to say; I accept that at once and it would be on those lines that all my remarks will be made. If, however, the dictum means that I should point out exactly how the particular reductions proposed are to be effected, well, all I can say is that that is entirely beyond any non-official Member of this Council. It would be a good reason for the Member in charge to urge, in opposing a given motion, that the motion was not practicable; and if, by any chance, the proposer succeeded in getting the Council to accept it, the Government could veto it on that ground. But my contention is that it cannot be ruled out of order on that ground. The whole position comes to this: here is the Budget Statement placed before us, asking us to assent to certain entries. I say that a particular entry should be a little less than what is proposed; if the Council accepts the view, the matter goes to Government; if it does not, the matter drops. The only thing that the Government may fairly insist upon is that the proposal should be such that it should be within the competence of the Department concerned to give effect to it, and that no large questions of policy beyond the competence of the Department should be raised.

As regards the other point, I would respectfully submit, Sir, that it would be enough if a beginning could be made in the direction indicated during the budget year, and the whole proposal need not be carried out in the course of that year.

Finally, Sir, one word about the purposes of these motions. It appeared to me that your observations on this point implied that the resolutions, of which I have given notice, travelled really beyond the purposes which these rules have in view. Now, Sir, may I respectfully point out that last year precisely similar resolutions were allowed, and we had at that time in the chair Sir Harvey Adamson, who as Home

charge of the Department of Commerce and Industry, assured me that the matter had attracted the attention of Government and that they were considering how the charges could be reduced: my purpose was served. I did the same about the Telegraph Department and also about Railways. I moved a reduction in the working expenses of Railways, and as a matter of fact I find that the working expenses have been reduced this year. What I mean is this. The entry which is referred to, in such cases, is the total expenditure under a given head mentioned in the Financial Statement. The Statement says that the total expenditure under that head shall be so much, and the resolution urges that it shall be so much less. As regards how the reduction is to be effected, I can place before the Council only general suggestions. I am not an official of the Department concerned and I cannot possibly point out what individuals, if any, should be got rid of or what else should be done. And I am strongly of opinion that if this discussion is to serve any useful purpose, Members must be allowed to move these resolutions in the form in which they were permitted last year. If we violate any of the conditions laid down in rule 6, of course, you, Sir, will be entitled to call us to order. But I do not see how you can restrict discussion in the manner you propose.

The President: It will of course be quite open to any Hon'ble Member to raise any general question provided he ties it up with a definite proposal which he makes with regard to any entry of the Financial Statement of the year. I call the attention of the Hon'ble Member to one of the provisions of the rules which he has not noticed. It is provided in rule 13 that 'the discussion of a resolution shall be limited to the subject of the resolution.' That is really the rule which should govern the whole of our discussion, and I imagine that when we come to the business we shall find that there will be no difficulty whatever in applying it.

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[ On 8th March 1911, Gokhale asked for a clarification of the President's ruling given the previous day relating to the form of resolutions bearing on the Financial Statement. He said: ]

Sir, before I proceed to the first of the series of resolutions of which I have given notice, I would like to get one or two points cleared up in the remarks which you made in this Council yesterday about the interpretation to be placed upon some of the rules; and I hope, therefore, that you will permit me to address to you a few observations.

Sir, the rules which govern these discussions require, first, that our resolutions should refer to specific entries in the Financial Statement;

[ *The Financial Statement for 1911-12 was discussed during its First Stage partly on 7th March 1911 and partly on 8th March 1911 and during its Second Stage on 8th March 1911, Mr J. L. Jenkins, the Vice-President, being in the chair on both days.* ]

*Financial Discussion, 1911-12, First Stage, 7th March 1911.*

## THE OPIUM FUND

[ *Gokhale moved a resolution proposing the constitution of an Opium Fund. In doing so, he made the following speech :* ]

Sir, I rise to move the resolution which stands in my name and which reads as follows :

That the Council recommends that the amount of the new loan for next year be raised from £5,925,300 to £7,25,300 and that the extra two millions be set apart to constitute a new fund to be called the Opium Fund, or in the alternative, be devoted to non-recurring expenditure on Education, Sanitation and Medical Relief.

I must at the outset explain to the Council why it is that I have worded my resolution in the manner I have done, and why, when I do not want the loan for next year to be really raised, I appear here as though I wanted that loan to be raised. My reason is that the rules of this Council, the rules which govern this discussion, are to a great extent defective, and till they are modified the only way in which I can raise the discussion, which I am anxious to raise today, is in this roundabout manner. The Council is aware that this year, I mean the year which is about to close, there is a large surplus made up of two parts. There is what the Finance Department calls the Opium surplus, and there is the ordinary or non-Opium surplus. The total amount of these two surpluses has not been, in my opinion, stated as it should have been by the Department. The total, as I will proceed to show, is £5½ millions or Rs. 8 crores. A portion of it is hidden away under one head and another portion under another head. And the final surplus, actually shown by the Department, is about £3½ millions. A careful analysis, however, shows that the real total surplus is £5½ millions and not £3½ millions. This surplus is made up of £3 millions under Opium, and about £2½ millions under other heads. Out of this 2½ millions, grants have been made to Local Governments amounting to a total £1½ millions sterling. The Finance Department says that the grant of £1 million for education and sanitation has been made out of the Opium surplus. I do not see why it was necessary to touch the

Member, in concert with the Law Member, was the author of these rules? He certainly would have called me to order if my resolutions had gone beyond the purposes of the rules. However, I hope I take it that, if I adhere to the lines which I have indicated in a general way, I shall have no difficulty on any point of order.

The President: I am very glad that the Hon'ble Member has given me an opportunity to state the position more clearly. I will begin where he left off. A precedent is not made in a day, and if a mistake was made last year—I do not say that a mistake was made—we are not bound by it for ever. In the next place, I would say that what I said yesterday was intended partly by way of indication of the interpretation which I would place upon the rule, and partly by way of well-meant advice to Hon'ble Members who had resolutions on the table. Now, what I said then was, and what I say now is, that a resolution should be what it purports to be. It ought not to be used as a device for raising questions unconnected with the substance of the resolution, and I think that that sufficiently arises out of rule 13 which the Hon'ble Member has quoted.

As to the other point, the advice which I gave, that Hon'ble Members should, in moving their resolutions, indicate in what manner effect should be given to their proposals—that, of course, is not a point of order except in so far as their doing so may be an evidence of good faith and goes to show that a resolution is really a genuine one and not intended to serve any ulterior object. But as a matter of advice I think it is good advice. Of course I never intended to imply that an Hon'ble Member in proposing a reduction should state exactly where every rupee of that reduction should fall; but I do think that he should be able to show that the reduction is practicable and how it should be effected during the course of the year to which the Financial Statement relates. I hope that what I have said will satisfy the Hon'ble Member that I have no intention of straining the rules; in fact, my desire is to allow Hon'ble Members the utmost possible latitude which is consistent with the practical, reasonable and businesslike conduct of our affairs. I have sufficient confidence in the skill and experience of the Hon'ble Member as a debater to be sure that whatever interpretation is placed upon the rule, he will be able to say whatever he wishes to say.



My proposal is that the loan which the Government proposes to raise during next year should be 8 millions instead of 6 millions. This extra two millions will be no increase in reality in our indebtedness because the Government are reducing our debt this year by 2 millions taken out of the Opium surplus, and all I propose is that after the new year begins it should again be raised by 2 millions, so that there should be no real change in the debt. My object thus is to recover for the country the two millions which the Hon'ble Member proposes to devote or has devoted to the reduction of our debt, and the actual wording of the resolution is merely a matter of form rendered necessary by the rules as they stand today.

Sir, I said at the commencement that our real surplus this year is  $5\frac{1}{2}$  millions or 8 crores of rupees. It will be seen on a careful examination of the Financial Statement that there are two series of doles—those doles which the Finance Minister once condemned—which reduce it by  $1\frac{1}{2}$  millions. I am not sorry that these doles have been given this year, because they are for purposes which I entirely approve. But I remember the Hon'ble Member expressing himself once somewhat strongly against the policy of doles. The doles this year are a grant for non-recurring purposes, for sanitation and education, of about a million, and another grant to various Local Governments for various objects of public utility, roughly amounting to about three-quarters of a million. The two together amount to  $1\frac{1}{2}$  millions. Now, if the whole of this  $1\frac{1}{2}$  millions had been taken out of the ordinary surplus, leaving the Opium surplus alone, even then there would have been half a million of the ordinary surplus left. What the Hon'ble Member has, however, done is this. He takes 1 million out of the 3 millions Opium surplus, and gives it to education and sanitation; then he takes  $\frac{1}{2}$  of a million out of the other  $2\frac{1}{2}$  millions, and gives it to various Local Governments for various purposes, thereby leaving behind a million and a half of the second and 2 millions of the first surplus, or a total resulting surplus of  $3\frac{1}{2}$  millions. Now, Sir, I do not understand why he has done all this in this way. The special grant to education and sanitation could as well have come out of the non Opium surplus. The special Opium surplus might have been left alone to be dealt with in some special manner—for redemption of debt, as the Hon'ble Member proposes, or for creating a special reserve, as I am going to propose. There was ample margin for both series of grants out of the ordinary surplus, and I do not understand why some money has been taken out of one surplus and some out of the other, and the resulting surpluses, under the two heads, shown as they have been in the Statement. However, that does not affect my resolution in any way. I suggest that this Opium surplus which stands at 3 millions, though the resolution raises a discussion

Opium surplus for this grant; there was the ordinary surplus available, and the whole grant could have come out of that ordinary surplus and the Opium surplus could have been left intact. That however is a point with which I will deal later. The facts, as they are stated in the Financial Statement, show a surplus of £3½ millions—£2 millions as the surplus under Opium and £1½ millions as the non-Opium surplus; and what the Finance Minister has done is to devote the two millions Opium surplus to the reduction of debt, the remaining £1½ millions going into the cash balances of the country. Now, Sir, my object in moving this resolution is to recover that sum of 2 millions which the Government of India have decided to devote to the reduction of debt. I would like to have that sum back and devote it, in the first instance, to the creation of a new fund, a reserve fund, to be called the Opium Fund. Or, if this proposal is not acceptable by the Council, I would propose that these 2 millions should be devoted to non-recurring expenditure on education, sanitation, and medical relief.

Sir, if, under the rules, I could have raised a direct discussion as to the dispositions of this year, *i. e.*, the dispositions in the revised estimates, I should certainly have brought in my motion in a more direct form. But there is a rule which lays down that our resolutions at this, the first stage of the financial discussion, should be confined to any alteration in taxation, any new loan or any additional grant to Local Governments mentioned or proposed in the Financial Statement or in the Explanatory Memorandum accompanying it. And the Financial Statement has been defined in the definitions as the budget estimates for the year next following, the revised estimates for the year about to close not being included in the definition. I think the definition requires to be altered, the Financial Statement being made to include not only the budget estimates for next year, but also the revised estimates for the current year. Otherwise all that the Finance Minister has to do is to say nothing in the Financial Statement about any grants to Local Governments, but to start making such grants as soon as the budget discussion is over, and go on making them during the year. By the time we come to the end of the year, all these grants, as already made, will appear in the revised estimates, and they can then, under the present definition, escape the discussion to which we are entitled to subject them. However, the rule being there in its present form, I did not like to take any risks. Possibly, if I had worded the motion in a more direct form, it might have been allowed, as a matter of grace, as I see some other motions have been allowed. But I did not like to take the risk of the motion being disallowed, and I therefore have worded my resolution in this round-about manner. By this means I raise the matter under the head of the new loan for next year

of an annual diminution of 50 lakhs, it must now be about 85 lakhs, as we have now only seven years in front of us instead of ten.

Now, Sir, if the Government could spread the loss of this Opium revenue even over the next seven years, possibly the Finance Department might be able to find annually this margin of 85 lakhs out of the normal growth of revenue, and they might be able to meet the difficulties that the loss of revenue would create without having recourse to extra taxation. I think this is just possible, though I do not know what may actually happen. But will the Government have the whole period of seven years to distribute this loss over? I think there are many indications that the Government of India will not get seven years, that in the course of four years, possibly even three years, this Opium revenue may go. Let us assume that it will go in about three years. It is only wise to be prepared for a contingency like this, as events are clearly moving in that direction. I may say at once that personally I do not regret the prospect of this loss. I have always regarded this Opium revenue as a great stain on our finances, because it is drawn from the moral degradation of the people of a sister country. Indeed, I am glad that this revenue will go, and I do not mind having to face the situation which the loss will create. At the same time, I would, in prudence, prepare for the contingency from now. Assuming that the Opium revenue is extinguished in the course of three years, what will happen? The sliding scale of the Finance Department assumes a period of seven more years for total loss. The Department takes for the current year an Opium revenue of 7 crores, for the next year of 6 crores 15 lakhs, for the year following that about 5½ crores, and so on. But if the Opium revenue is extinguished in the course of three years more, the sliding scale will not carry us lower down than to about 4½ crores for the last year, instead of to only 85 lakhs, as would be the case on a seven years' basis. And, Sir, if this happens, as sure as the fact that we are here in this room today, the Finance Department will have recourse to extra taxation to fill up the gap. And as I am anxious to guard the country against such a course, I bring forward my proposal for the creation of an Opium Reserve Fund today.

My proposal, Sir, is this. The additional Opium revenue by which I mean the excess over the sliding scale—which is 7 crores for the current year, 6 crores and 15 lakhs for the next year, and so on—is rendered possible solely by the fact that the Opium traffic is threatened with extinction and that the Chinese consumers are therefore prepared to pay fancy prices for the drug while it can be had. The very threatened extinction, therefore, is producing the surplus at present, and it is only proper that the surplus should be utilised in order that the

only about 2 millions, should be set apart to constitute a new fund which I would call the Opium Fund or Opium Reserve or by some such name, and I further suggest that we should go on adding to it all the additional Opium surpluses that the Hon'ble Member or his successor may earn during the next few years, and the fund thus created allowed to accumulate, so that when the Opium revenue comes to be extinguished, the inconvenience and dislocation arising from that extinction should be partly met by drawing on this fund; in other words, that this fund should enable the Government to distribute the inconvenience, of the loss of Opium revenue over a longer period than would otherwise be possible.

### Disposal of Opium Surplus

Sir, this question of the disposal of the Opium surplus is in reality a most important question, and I would ask the indulgence of the Council while I state why, in my opinion, the course which I have suggested should be adopted. Last year, when I urged that instead of including the whole of the Opium receipts in the revenue for a particular year, we should have a sliding scale of a diminishing Opium revenue, as that revenue was marked out for extinction, the Hon'ble Mr. Meston<sup>1</sup>, in whom we all are glad to recognise a master of debate, tried to turn the point of my contention against me by saying that that was precisely what the Government were going to do; only he could not reconcile my advocacy of that scheme with my complaint in the earlier part of the debate that the Government had underestimated the Opium revenue. Now, my position at that time was perfectly clear. Sir Edward Baker<sup>2</sup> had stated in this Council three years ago when he first announced to the Council that the Opium revenue was doomed, that if the Government of India were allowed to spread the loss of that revenue over ten years, which at that time meant an annual diminution of 50 lakhs, the Government would be able to stand the loss without recourse to extra taxation. And what I meant was that this sliding scale which has been devised this year should have been brought into operation then—not after two years of the excess revenue had been enjoyed by Government and used for ordinary expenditure and after extra taxation had been imposed in order to meet the deficit caused by an uncontrolled growth of expenditure. My contention was that the sliding scale should have been brought into existence when the announcement was first made here in this Council that the Opium revenue would disappear in ten years. However, better late than never, and I am glad the Finance Department has at last introduced a sliding scale; only, instead

1. see foot-note on p. 161.

2. see foot-note on p. 51.

debt, similar to the mammoth debts of Western countries, I would have understood such a course, and I would not have opposed this policy as I am doing now. But what is our unproductive debt? I think an enquiry into this question is useful in view of what the Finance Member says in his Financial Statement. He says there that two millions will be devoted to a reduction of debt, because thereby our credit would be strengthened. With all deference, Sir, I beg leave to say that in speaking thus he is merely using a Western formula—a formula which in India has no application because of the trifling amount of our debt. Sir, what is the amount of our debt? Our total debt is made up of various component factors. There is the permanent or funded debt. There is the temporary or unfunded debt. And there are various funds with the Government, such as saving banks deposits, service funds, special loans, judicial deposits in courts, and so forth. Against this the Government have their Railways and Irrigation works, their loans and advances to Local Bodies, Native States and cultivators, and their cash balances. Deducting these latter from the total debt, what remains is the true ordinary or unproductive debt. Now taking the figures for 1907-08, and bringing them up to date, we find that in 1907-08 the permanent debt in India was 88.55 millions; the permanent debt in England was 156.48 millions, or, in the two countries together, 245 millions. That was the funded permanent debt in that year. The unfunded debt in that year was only 1 million. Then, about 20 millions represented special loans, Service funds, Savings Banks deposits, departmental and judicial deposits and miscellaneous obligations of the Government, or total liabilities of 266.28 millions or 400 crores of the liabilities of the Government. As against this, the Government of India had in that year 177.7 millions invested in Railways and 29.87 in Irrigation Works, or a total of 207.57 millions under the two heads together. The Railway debt was earning about 5 per cent., the Irrigation debt about 7 per cent. Therefore it was really no debt at all in the sense in which the term debt is used. That accounted for 207 out of 266 millions. Then the loans and advances by Government to various Local Bodies, Native States and cultivators amounted in that year to 13 millions and the cash balances were 16.6 millions. Thus 239 millions out of 266.28 millions represented the investments and cash balances of the Government, leaving only about 27 millions of real unproductive debt for the country. This was in 1907-08. Since then the position has undergone some deterioration. Of course there has been additional borrowing for Railways and Irrigation; but we need not take that into account since Railway and Irrigation investments are earning 5 and 7 per cent. interest respectively. But there was a deficit in 1908-09 of 3.74 millions. In 1909-10 there was a surplus of .61 million.

dislocation of our finances, when the extinction does come, should cause as little inconvenience to us as possible. What I urge therefore is this. This surplus, over and above the sliding scale, should be put aside year after year. We have 3 millions this year, we might have, say, 2 millions next year, and, say, another 2 millions during the following year, and at the end of the third year let us suppose that the Opium revenue suddenly disappears altogether. According to the sliding scale, the fourth year will require an Opium revenue of  $3\frac{1}{2}$  crores, the fifth year about  $2\frac{1}{2}$  crores and so on. Meanwhile our Opium Reserve Fund will amount during the next three years to 7 millions. If we have such a Fund, we can draw on it to fill up the gaps for the fourth, fifth, sixth and seventh years, and thus obviate a recourse to extra taxation. Thus, by creating this Opium Reserve, we shall be able to spread the whole loss over seven years—the period which the Government of India are anxious to spread it over—even if the actual extinction takes place in three years. Of course, if you devote this money to the reduction of debt now, and if the Government will borrow when the need arises to fill up the gap for purposes of current expenditure, then I do not press my proposal. I recognize that there is no special merit in a separate fund. But the Government has never so borrowed. The Government will never borrow for recurring purposes even temporarily, especially when the prospect is to have to borrow for a number of years; and I am quite sure, if a proposal to borrow is made by any Member in those circumstances, we shall have sermons in this Council from the Finance Minister about the unwisdom and impolicy and extravagance of borrowing for ordinary purposes. Therefore if the Opium revenue is extinguished in, say, three years—and it is by no means improbable—while the surpluses during the three years will be devoted to a reduction of debt, when the threatened extinction comes, instead of again borrowing to the extent of the reduction effected, the Government will impose extra taxes. If, however, the Government have this Opium reserve at their side, there will be no excuse and no justification whatsoever for the imposition of extra taxes. Of course, I do not object to extra taxation for other purposes. But, other things being equal, I do not want any extra taxation to meet the loss of the Opium revenue.

### Real Unproductive Debt Very Small

Sir, it may be said that, after all, a reduction of debt is a most excellent object, and as the future may well take care of itself, the Finance Minister is justified in devoting his surpluses to a reduction of debt, thereby leaving his successor the burden of a smaller debt. If the debt of this country—I mean the ordinary debt—had been a huge

provided, all money out of the revenue over and above it should be devoted to pressing objects of public utility, such as education, sanitation, medical relief, and so forth. Now, Sir, if we examine next year's Financial Statement, we shall find a sum of 2 crores already devoted to the reduction of debt, i. e., already serving the purpose of a Sinking Fund. Seventy-five lakhs are provided under the head of Famine Relief and Insurance to avoidance or reduction of debt; and under Railway expenditure we have a sum of over £800,000, or about  $1\frac{1}{2}$  crores, devoted to the redemption of Capital; and according to our system of accounts that finally shows itself as a reduction in our ordinary debt. Therefore, we have  $1\frac{1}{2}$  crores under Railway Capital expenditure and three-quarters of a crore under reduction or avoidance of debt, or roughly a sum of 2 crores devoted to reduction of debt. I am quite willing that this should be a standing Sinking Fund. If, in any year the Government cannot afford these 2 crores, I am willing that the deficiency should be a first claim on the surpluses of succeeding years. If, further, there is any deficit in any year, that deficit should be a first claim on the surplus of the years that follow. But when you have provided for this Sinking Fund and for covering ordinary deficits, I think all money, in excess of that, should be devoted to non-recurring expenditure on those objects with which the moral and material well-being of the people is intimately bound up. Sir, a Sinking Fund of 2 crores a year is four times as large as what rich England is providing for her today. The total debt at present is about 750 millions. Between the Crimean War and the South African War, England reduced her debt by about 200 millions. It was about 836 millions at the close of the Crimean War. It was about 635 millions at the beginning of the Boer War. In other words, England reduced her debt during the interval by 200 millions or 5 millions a year. This means a Sinking Fund of a little over  $\frac{1}{4}$  per cent. on the first debt. During the last eight or nine years they have reduced the debt from over 800 millions—the figure at the close of the Boer War—to 750 millions, a reduction of about 50 millions; that amounts to about 1 per cent. on the first debt. Therefore, you find that in a wealthy country like England the Sinking Fund does not exceed about 1 per cent. of the debt. Here, in India, I am willing to allow 2 crores annually to get rid of our small debt of 37 millions. This means a Sinking Fund of 4 per cent. as against 1 per cent. in England. Surely the Hon'ble Member should be satisfied with this, and all money over and above this amount ought to be available for other pressing purposes which require large outlay very badly.

#### **Better Grants for Nation-Building Departments Urged . . .**

Sir, for these purposes — Education, Sanitation and Medical Relief—while a great deal of recurring expenditure is, no doubt,

and this year, excluding the Opium surplus of 3 millions, there is still a surplus of 49 or half a million. The position therefore during the last three years has undergone a deterioration by about 2 64 millions, and we must add that to the figure for 1907-08 to find the total unproductive debt at the present moment. This comes to 29 7 millions, say 30 millions. Or, if the Finance Minister will prefer it, I am prepared to take the funded unproductive debt, as it appears in our accounts, which is 37 millions. That means making a present of about 7 millions to the Hon'ble Member; but I will do so and will take 37 millions for the purposes of my argument. Now, Sir, what is a total unproductive debt of 37 millions for a vast country like India? What is such a debt compared with the huge debts of other countries? And is the reduction of this trifling debt a matter of such paramount importance that everything the Finance Department can lay hands on should be devoted to this reduction to the practical exclusion of all other useful objects, as has been done during the last ten or twelve years? Sir, my protest against this policy of the Government has been a long-standing one. Year after year, for the last ten years, I have been raising my voice in this Council against this policy; but so far without much effect. How does our unproductive debt compare with that of other countries? In England, at the present moment, you have a national debt of over 700 millions, corresponding to our unproductive debt. In France it is over a thousand millions. In several other countries it is four to five hundred millions. Even in an Eastern country like China it is about 110 millions, though the annual revenue of China is much smaller than ours. The Hon'ble Member speaks of the necessity of strengthening our credit. If we look at the rates of interest at which different countries borrow, it will be found that our credit is exceedingly good.

### Reasonable Sinking Fund for Ordinary Debt

The bulk of our debt is at  $3\frac{1}{2}$  per cent., whereas Japan borrows at from 4 to 7 per cent.; Russia borrows at about 5 per cent.; Turkey borrows at 5 per cent. and over; China borrows at between 4 and 7 per cent.—4 per cent. in a few cases, 6 and 7 per cent. being the usual rate. Even Italy borrows at a higher rate than India, the bulk of Italy's debt being  $3\frac{1}{2}$  per cent. I therefore contend that our credit is excellent, and I think the Hon'ble Member need not be in a hurry to improve it still further. Moreover, when a debt is as small as ours, credit is strengthened by its diminution only theoretically. I do not say that our debt should be left where it is. I am quite willing that there should be some provision for a regular reduction in the ordinary debt of the country. I am quite willing that there should be a Sinking Fund of a definite amount; but when the requirements of such a fund are



instead of giving the explanation asked for, the Hon'ble Member describes my presentation of figures as a feat of jugglery. However it is a small matter, and may well rest where it is.

So far as the policy of providing a sliding scale of diminishing revenue for Opium is concerned, I entirely approve of it. I suggested that course myself last year, and I am convinced that that is the only safe and sound course. The question is, what is to be done with the surplus that you get over and above the revenue of this sliding scale? The Hon'ble Member said the Government would devote the excess just now to reduction of debt, and, when the time comes, they would consider what they should do—whether they should again raise their unproductive debt or adopt such other means as in their wisdom and with the advice of the Council they might think proper—which means impose additional taxation, which they are sure to do. Sir, I have been following Indian finance for the last twenty-five years with some interest, and if I know one thing, it is this. Whenever there is a deficit, the occasion is straightaway utilised by the Government for imposing additional taxation; but, on the other hand, surpluses have been rarely followed by a remission of taxation. It is only when it becomes absolutely impossible to maintain the old level of taxation any more, that remissions are granted to the people, and that very tardily. The reason for this is obvious. The Department does not care to relinquish its hold on the money, if it can help it. Public opinion in the country is weak. There are no electors here to win over, to placate, or to please, and the Government, having the money, do not want to let it go.

Sir, the Hon'ble Member has said a good deal as to the form of my resolution; but I really think he need not have spent so much of his energy on it. He knew quite well what I had in my mind, and indeed, last year, it was he himself who put me in the way in this matter. I was then in a difficulty as to how to raise a similar question, and the Hon'ble Member came to my rescue and pointed out to me how I could get round the rules and raise the discussion. I then followed his advice and was very grateful to him for it; and all I have done this year is to adopt the same course again. He knew what I had then in view, and he knows what I have in view today; and therefore all that he has said just now about not raising any more loans, about the inadvisability of adding to our indebtedness, was really somewhat unnecessary.

#### No Reduction of Debt Out of Surplus

Then, Sir, the Hon'ble Member says that, in the opinion of the Finance Department, with its conservative view in this matter, a reduction of debt is the wisest policy to pursue in such circumstances.

necessary, there is also a vast amount of non-recurring expenditure absolutely required. And the need is most urgent. Seven out of every eight children are growing up in India in ignorance, while the State in every other civilised country has made the free and compulsory education of its children one of its primary duties; four villages out of five in this country are without a school. Then, sanitation throughout the country is in a most neglected condition. The death-rate, already high, is growing higher and higher; the latest figures show that the death-rate is now over 38 per thousand. For providing school-buildings for primary schools, hostels for secondary schools and colleges, for initial outlay on technological institutions, for drainage and water works, an enormous amount of money of a non-recurring character is required, and there can be no more beneficent expenditure of public money after a Sinking Fund has been provided.

My proposals, therefore, are these: I propose, in the first place, that the Opium surpluses, over and above the figures of the sliding scale, should be set apart to constitute a new fund to be called the Opium Fund. In the event of this proposal not being accepted, I propose that the whole of such surpluses should go to meet non-recurring expenditure on Sanitation, Education, and Medical Relief instead of being devoted to a reduction of debt. At the same time I propose that a Sinking Fund of a definite amount should be created and that all sums over and above that Sinking Fund should be applied to the objects I have mentioned. Sir, I move the resolution which stands in my name.

*[At the end of the debate on the resolution on the Opium Fund, by way of reply, Gokhale spoke as follows:]*

Sir, I should like to say a few words in reply to what the Hon'ble Mr. Meston has said, before this resolution is put to the vote. The Hon'ble Member began by giving me credit for sleights-of-hand and feats of jugglery of which I have considered myself more or less innocent. However, I should like to know where the sleights-of-hand and the jugglery have come in. So far as the two surpluses, the Opium surplus and the non-Opium surplus, are concerned, I only wanted to know why the Department had set apart one million for Education and Sanitation from the Opium surplus instead of from the other surplus in which there was a margin for it. The Hon'ble Member could then have kept the whole of the three millions of Opium surplus intact. He could still have given us the money for Sanitation and Education; he could still have made those grants to Local Governments of about a crore and four lakhs for various specific purposes, and yet he would have had a non-Opium surplus of half a million. I wanted to know why, instead of adopting this simple course, the other has been adopted by the Government; but no answer has been forthcoming to that; and

to do. He has given us a million for Education and Sanitation, and those of us, who have been raising our voice in favour of such a grant year after year these several years, surely we are not likely to be wanting in gratitude to the Hon'ble Member for this. But the Hon'ble Member does not yet go far enough. One million is good, but three millions would be better. If he would set apart these three millions to constitute an Opium Reserve, then I do not want them for the other purposes mentioned; but if you are going to use the money for reducing debt, we deem it our duty to protest. As my friend, Sir Vithaldas Thackersey<sup>1</sup> has pointed out, if you devote 2 crores a year to the reduction of debt, you would be able to wipe off the whole amount in the life-time of a single generation. My friend was not right about the 75 lakhs. The total amount under Famine Insurance is 150 lakhs, of which half is devoted to protective irrigation, when there is no demand for actual famine relief, and the other half, that is, 75 lakhs, is devoted to a reduction or avoidance of debt. Therefore, the sum is generally available for reducing debt along with the amount that is provided for the redemption of Capital under Railways.

Before resuming my seat, I would request you, Sir, to put the resolution to the vote in two parts, under rule 16. Rule 16 says: "if any resolution involves many points, the President at his discretion may divide it so that each point may be determined separately." I recognise the force of some of the observations of the Hon'ble Mr. Madge. There may be other Members who would be willing to support me in my proposal about an Opium Reserve Fund, but who would not care to have the whole of the money assigned to Education, Sanitation and Medical Relief. I am therefore quite prepared to ask, Sir, that you, in your discretion, may put the two parts of this resolution to the vote separately; namely, first, that the two millions be devoted to the creation of an Opium Fund; and, if that fails, then that it should be devoted to Sanitation, Education and other purposes.

(The first part of the resolution was put and rejected, 15 voting for and 39 against.)

The second part was then put and also rejected.)

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1. A big textile mill-owner in Bombay; President, Bombay Municipal Corporation, 1907, Chairman, Millowners' Association, Bombay, President, Second Industrial Conference, 1905; Chairman, Bank of Baroda, and the Central Co-operative Bank, Bombay; Member, Indian Factory Commission, 1907-08; Member, Imperial Legislative Council, 1910-11.

Our debt, however, is extremely small, and my question is, how much do you want annually, as a sinking fund, to reduce this debt still further? Next year, for instance, you have already provided two crores for the purpose out of the ordinary revenue of the country. Are you not satisfied with that? Do you want three crores, four crores or five crores every year in order to reduce this debt of 37 millions? The Hon'ble Member has not attempted any reply to that. Of course a small debt is a most convenient thing for official speakers on the subject of Indian finance. It provides exceedingly good material for glowing periods to adorn the perorations of official speakers on the subject of the management of Indian finance, whether here or in Parliament. But that is hardly any consolation to us who want so much money in so many directions for those pressing and all-important objects that I have mentioned. As to whether we can spend large sums on non-recurring purposes usefully, I think the Hon'ble Member may ask the Hon'ble Mr. Butler.<sup>1</sup> After the Conference that we had at Allahabad recently, I am quite sure that the Hon'ble Mr. Butler would at once give him a programme that would show that not one but 10, 15 or even 20 millions could be usefully employed as non-recurring expenditure in the directions I have indicated. It is quite true that two years ago we had a deficit. But is that a fair way of putting it? We had a deficit two years ago; but the deficit came after ten years of surpluses. Why does the Hon'ble Member take 1908-09 as the starting point? Why does he not take a point two or three years before that? You had ten years of surpluses during which period you realized—you will find, if you will refer to the returns—a total of about 26 millions as surpluses. After 26 millions of surpluses had been realized you get one year of a deficit of 3 74 millions, after which you again have two small surpluses. And you insist on making up for the one deficit by devoting to paying it off succeeding surpluses, regardless of the fact that there have been 26 millions of surpluses behind. It only means that whenever you have money, you want to devote it to the reduction of debt, because somehow that is the ambition of every Finance Minister; and when you have a deficit, you keep that deficit before the public till you are able to get some more money to wipe it off. I really think, Sir, that the country has a right to complain of this policy. I am speaking of the general policy followed year after year in this matter, not of the policy adopted in this particular Budget. I have already expressed my great satisfaction as to some of the principles laid down and the dispositions made in this Budget. We are grateful to the Hon'ble Finance Member for what he has done, for he has done what we did not succeed in inducing any previous Finance Minister

1. Education Member, Government of India, at the time.

the Education Department is expected to wait till next year, then I would respectfully urge that it should not be so and that some provision should be made in the budget for next year for a recurring grant for primary education.

( The resolution was rejected )

*Financial Discussion, 1911-12, First Stage, 7th March 1911.*

## SANITATION IN EASTERN BENGAL AND ASSAM

[ Mr. Syed Shamsul Huda<sup>1</sup> moved a resolution proposing that the grant to Eastern Bengal and Assam for Sanitation be raised from £60,000 to £100,000. Gokhale made the following remarks on the resolution : ]

Sir, I have no wish to object to this resolution; not at all; in fact I wish good luck to every one who wants anything from the Finance Minister. But I would like to know on what principle these grants have been based. I see no principle, looking at this list; probably the allotment is made in the spirit of the financial administration, prior to the year 1870, when the Government that clamoured most got the most. These grants have no necessary relation to either the revenues which the different Provincial Governments enjoy, or to the expenditure on Sanitation and Education—I take the two together—which they incur. I shall, therefore, be very glad to hear from the Finance Department on what principle the grants are based.

( The resolution was rejected )

*Financial Discussion, 1911-12, First Stage, 8th March 1911.*

## SUBSIDY FOR VERNACULAR PAPERS

[ Mr. Bhupendra Nath Basu<sup>2</sup> moved a Resolution recommending that the special grant to the Government of Bengal be reduced by the sum of Rs. 65,000, the amount which the Government of Bengal had promised as subsidy towards a Vernacular paper to be started in Bengal. In supporting the Resolution, Gokhale spoke as follows : ]

Sir, I wish to say a few words in support of the Resolution which my Hon'ble friend Babu Bhupendranath Basu has placed before the

1. Was Professor of Arabic and Persian in the Calcutta Madrasa; resigned and joined the Bar; Tagore Law Lecturer, 1902; President, All-India Muslim League, Secretary, Bengal Landholders' Association.

2. Chairman, Reception Committee, Indian National Congress, 1911; an elected member, first of the Bengal and then of the Imperial Legislative Council; President, Indian National Congress, 1914; member, Council of India.

## FEES IN PRIMARY SCHOOLS

[ In the course of the discussion on the Financial Statement, Mr. Mazhar-ul-Haque<sup>1</sup> made a motion that the grants to Local Governments be increased by such an amount as will enable them to remit the fees payable in Primary Schools for the coming year. Speaking on the motion, Gokhale made the following observations : ]

Sir, I wish to offer a few observations on the resolution which my Hon'ble friend Mr. Haque has moved. Sir, personally I do not wish to press the question of the remission of fees at this time of day. I may mention that I used to raise this question in this Council year after year for several years, and that the resolution of the Government, to which my Hon'ble friend referred today, was issued after a discussion in this Council initiated by myself. However, in view of the expressions of opinion that have come from several Local Governments, it is necessary to consider how far the Government is likely to remit fees and make education free at once. Of course, no one will rejoice more than I if Government is able to remit fees and make education free. It is a matter of 32 lakhs a year to begin with—this remission of fees; and if the Government so choose, they can do it. This would mean making it free first and compulsory afterwards, or it might be made compulsory first and free afterwards, whichever way we begin; we have all to advance towards the same goal, namely, free and compulsory education for all the children in this country. I hope to introduce in this Council in a few days, if Government will permit me, a Bill to empower municipalities and local boards to make primary education compulsory within their areas. The Government have given a large non-recurring grant to primary education for next year. I wish the Government had at the same time given a recurring grant to primary education to be distributed among the provinces. A non-recurring grant, without a recurring grant to support it, is likely to be largely thrown away; it will be spent on school buildings or it may be spent on buildings for training institutions; usefully spent, no doubt; but in order to make it really effective, it is necessary to supplement it with a recurring grant. It may be that, as the Department of Education has been only recently created, it is not yet ready with its programme and so the question of a recurring grant has been simply postponed, and possibly the Finance Department may be able to find money later. If that be so, I have nothing more to say; but if there is no intention to find money for recurring purposes during this year, and if

Council. I wish to support this Resolution, first, because, there is a report abroad that other Governments, besides the Government of Bengal, intend to follow suit, and secondly, because, though this matter concerns, in the first instance, Bengal alone, still there is a large principle involved in this question, and I think it is as well that that principle should be discussed from all points of view. But, Sir, before I say what I have to say on the subject, I would like to prevent, if possible, an injustice being done to the gentleman who has come forward at the instance of the Bengal Government to undertake this work. I refer to my friend Rai Narendra Nath Sen Bahadur<sup>1</sup>. I am anxious that no wrong impression should go forth from this Council Chamber about the intentions or motives of the Rai Bahadur, or about the terms on which he has accepted this work from the Government. Rai Narendra Nath Sen Bahadur is one of the veteran journalists and public men of this country, and many of us, including, I am sure, my friend Mr. Basu, have held him in the highest respect for all the time that he had been in public life. And I feel bound to say this for Rai Bahadur Narendra Nath Sen, that among the public men of the country he is second to none in straightforwardness, in courage, and in strength of conviction; and it must also be recognized that he has laboured long and incessantly for the welfare of the country. I am quite sure, therefore, that the description of a "paid hack" is the very last that can ever be applied to Rai Bahadur Narendra Nath Sen. At the same time I must say that the Rai Bahadur has undertaken a task which is beyond the power of any human being. If the Government are anxious that misrepresentations of their acts and intentions, which, from time to time, appear in the Vernacular Press, should be corrected promptly—a desire which I can understand and with which I largely sympathise—whatever other course might be effective, this certainly is not an effective course. Far better that the Government should have an organ of its own, an open State organ conducted out of State funds and issued as a State publication. Or there are other possible ways, to one of which I will presently refer. But the course actually adopted by the Bengal Government is about the worst that could have been adopted; and I am quite sure that it will be found to be absolutely ineffective in practice. However high may be the character or the motives of a man who comes forward to conduct a subsidized paper, there can be no question about the fact that so far as the bulk of the readers, *i. e.* of the public, is concerned, there will always be an impression that the opinion expressed in the paper is not an independent opinion. And in the present case, for one man, who knows Rai Narendra Nath Sen Bahadur personally, 99 will only judge him from appearances. When

1. Was editor of the *Indian Mirror*, a daily published from Calcutta.

here, called the Imperial League, of which my friend, the Maharaja of Burdwan<sup>1</sup>, is a distinguished member. The other day, when this body waited in deputation on the Viceroy, His Excellency made a suggestion that the members should not confine themselves merely to presenting addresses to departing and incoming Viceroys. And I am quite sure that the members themselves take the same view of their responsibilities. And they would, no doubt, be glad to come to the support of Government, especially when a serious question like this has to be solved. Many of the members of the League are very wealthy men, and, if a suggestion were made to them, it is more than probable that they would come forward to start an organ of their own—an organ that would actively combat the views that are circulated in a section of the Vernacular Press. The paper will, of course, represent the views of certain wealthy gentlemen in the country only, but they will be men who have a stake in the country, as we are often reminded, and their views will be free from all objections which may be urged against a subsidised paper, since there will be no Government money behind it. I think in many respects this would be a far more effective course to take than either a directly subsidised paper or even a State organ. But, when all this is said, I really do not believe that any of the courses will really achieve anything very much. The attitude of the Vernacular Press, deplorable as it may at times be, depends largely on a number of circumstances. For one thing, the normal relations between the English and the Indians in the country determine it; and the special questions which for the moment may happen to agitate the public mind also largely influence it. And then there are the writings in the columns of the Anglo-Indian Press. What happens very often is that writers in the Vernacular Press take up the articles or attacks in the Anglo-Indian papers and reply to them. The officials, who read these replies, apply them to themselves, because the writers in the Vernacular Press often express themselves generally against Europeans as such, taking the Anglo-Indian Press to represent European views. And the real remedy for this state of things is neither a subsidised paper, nor a State paper, nor even a private organ specially started by influential men, but a sustained and statesmanlike effort on both sides to bring about a general improvement in the relations between Englishmen and Indians in India. But whatever may be thought of this view, there is no question that the Bengal Government have made a great mistake, and I earnestly hope that a similar mistake will not be made by other Governments. Bengal has been fortunate in getting Rai Bahadur Narendra Nath Sen to undertake the work. Those who know him will

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1. see foot-note 2 on p. 176.



## BUDGET, 1911-12—MINT

not need to be told that he will not express any opinion which he does not himself hold. But other Governments may not be equally fortunate. They may choose individuals for the task who have not the same prestige and the same qualifications as Mr. Sen possesses and the result then may be most mischievous.

(The resolution was rejected, 9 voting for and 44 against.)

*Financial Discussion, 1911-12, Second Stage, 8th March 1911.*

## OPIUM

Gokhale : Sir, I do not wish to move the resolution<sup>1</sup> about Opium of which I have given notice, in view of the fact that the Department is more or less a doomed Department now. It is quite true that threatened men live long : but as the expenditure in this Department will now necessarily be curtailed, I wish to withdraw my resolution.

The President : The resolution is withdrawn.

*Financial Discussion, 1911-12, Second Stage, 8th March 1911.*

## MINT

[Gokhale made a motion for the reduction by Rs. 50,000 in the expenditure under Mint. In doing so, he made the following speech :]

Sir, I beg leave to move

That this Council recommends that the expenditure under Mint be reduced by Rs. 50,000.

## Increase in Establishment Charges and Contingencies

It is somewhat unfortunate that the first of the series of resolutions which I have to move should be about a Department about which I have to say the least; but as Mint happens to come first, I must state what I have to say in a few words. I find, Sir, on an analysis of the figures for the last few years that the charges of this Department—I am confining myself to establishment charges and contingencies—are a very variable amount. Evidently, when there is money to be

<sup>1</sup> That this Council recommends that the expenditure under Opium be reduced by Rs. 50,000.

spent, the charges go up; when there is no money to be spent, the Finance Department is able to cut down the expenditure on establishment charges and contingencies. I find, for instance, that, as in the case of many other Departments, the highest point of expenditure was reached in 1907-08. As I have already said, I am confining myself to charges in connection with establishments and contingencies, and I may state that in connection with most other Departments I will do the same. I find that these charges, which, in 1905-06, were 6·9 or, say, 7 lakhs for the Mint Department, rose to nearly 9 lakhs in 1907-08, and that was the highest point reached. Then, the Hon'ble Member, probably in view of the deficit which was then expected, put on a brake, and we find that in the next year—1908-09—the charges fell from 9 lakhs to 7·13 lakhs. The next year, i.e., in 1909-10, they fell still further. They fell to Rs. 6,69,000. That is the lowest figure reached by these charges in recent times. Now, Sir, I find that there is a tendency for these charges to go up again; is it because the stringency of the financial position is disappearing? And I would like to know why this is happening. Last year the Department budgeted for Rs. 7,13,000, though the revised estimate is less; this year they have again budgeted for Rs. 7,23,000. This is a figure about Rs. 54,000 in excess of the figure for 1909-10, and my point is that, as the charges of this Department appear to be elastic, capable of being cut down when the Government wants to cut them down, and liable to go up and go up pretty largely, when Government have money, in view of the debate on retrenchment we had the other day and of the necessity for finding money for many other objects, the budget grant for expenditure under this head should be cut down by, say, Rs. 50,000, which I propose in my resolution.

Another thing to which I wish to draw the attention of the Council in this connection is that in the Calcutta Mint, while other charges have been kept down, and are, as a matter of fact, showing a lower and lower level, the charges in connection with Direction and Office have been steadily rising. In 1905-06 they were Rs. 66,000; in 1908-09 they reached the highest point, about Rs. 85,000, and for 1909-10, the last year for which figures are available to me, I find they were at Rs. 75,000. Now this steady rise in Direction and Office charges requires some explanation and I hope that that explanation will be forthcoming.

#### Absence of Indians in Higher Offices

One more suggestion and I have done. I find that there are seven appointments in this Department with salaries ranging from Rs. 500 to Rs. 3,000, and there is not a single Indian among them. If, in the

course of the next year, a vacancy occurs, either temporary or permanent, and if the Hon'ble Member will see his way to appoint an Indian, even if he does not give him a lower salary, he will be able to effect a saving in exchange compensation allowance; and I propose that he should take advantage of any such contingency arising. With these few words, Sir, I commend this proposal to the Council.

[ *After the Finance Member, Sir Guy Fleetwood Wilson, had replied to the points raised by Gokhale, Gokhale said in reply :* ]

There is only one point on which I should like to hear a word of explanation, and that is : why the charges are going up again after having gone down up to 1909-10. I recognise that during that year and the previous year the charges were going down. They reached their lowest point in 1909-10—Rs. 6,69,000. There is no new coinage going on now, and I want to know why the charges are going up again. The Hon'ble Member has budgeted for Rs. 7,23,000 for next year.

Sir Guy Fleetwood Wilson : I have already explained to the Hon'ble Member that the relation between increase and decrease in the cost of the Mint is the relation which exists between more coining and less coining.

Gokhale : I do not wish, Sir, that the resolution should be put to the vote. After what has fallen from the Hon'ble Member, I would like to withdraw it.

( The resolution was withdrawn. )

*Financial Discussion, 1911-12, Second Stage, 8th March 1911.*

## FAMINE GRANT

[ *Moving his resolution on the above subject, Gokhale said :* ]

Sir, I beg to move

That this Council recommends that the allotment of seventy-five lakhs of rupees under Famine Relief and Insurance, which is proposed to be devoted to reduction or avoidance of debt, be abolished, or at any rate, suspended till it becomes necessary to borrow again for meeting famine expenditure.

Sir, I had moved a similar resolution in the course of the financial discussion of last year, and the first part of this resolution, at any rate, is a repetition of that resolution. In view of what the Finance Minister said yesterday, that he would consider the desirability of creating a sinking fund of a definite amount, there is not much point in my pressing this resolution on the attention of this Council. But the Hon'ble Member has only promised to consider the question. He has not promised definitely to create a sinking fund, and it is just possible that,

may not create it after all, in which case I should certainly like to enter my protest against this particular allotment of 75 lakhs. Sir, as I pointed out yesterday, for the next year, with this allotment of 75 lakhs, the total sum devoted to the reduction of debt will amount to 2 crores, and in addition to that, whatever surplus you may get under Opium, whether it be 2 crores or 3 or 4, will probably be devoted to the reduction of debt. Now, Sir, as regards the amount allotted under Railways to capital redemption, that is laid down by Statute. The annuities have to be paid in accordance with a Parliamentary Statute, and therefore it is not possible to touch them, though we may take them into account for finding out how much money is being devoted to the extinguishing of debt. But this amount of 75 lakhs is entirely in the discretion of the Government of India, and by the Government of India I mean the Government of India with the sanction of the Secretary of State. Last year, in dealing with this question, I gave a brief history of this Famine Insurance Fund. I pointed out then that when this fund was created in the seventies—towards the end of the seventies—it was calculated by the Government of Lord Lytton<sup>1</sup> that, taking a period of about ten years, the Government of India might reasonably be called upon to meet a famine expenditure of about fifteen crores of rupees, or a crore and a half every year. That amount was based on a consideration of what the Government had spent and what the Government had lost in the famine of 1874 in Bengal and the famines of 1876 to 1878 that ravaged Madras, Bombay and other parts of India. This was sanctioned by the Secretary of State, and special taxes imposed to provide an annual margin of a crore and a half for this purpose. Later on it came to be laid down that half of this grant should be devoted to protective works—railways and irrigation. Of course the first claim on the money is that of actual Famine Relief; but when there is no famine as there is none this year, and I hope there will be none next year, half is devoted to protective works—at one time both railways and irrigation and now only irrigation—and the other half is devoted to a reduction or avoidance of debt.

### Use of Grant for Agriculturists' Improvement

Now, in view of the fact that our unproductive debt is extremely small, and there is another provision made for reducing the debt, I think this grant ought to be made available to the people of this country for other purposes. I would like, for instance, this to be applied to the improvement of the agricultural classes, the classes that suffer most from famine, so that it will not be diverted from the real main object for which it was created, namely, to enable these to better resist the

1. see foot-note on p. 171.

attacks of famine. Famine relief is a direct form of giving relief, and must, of course, have precedence; but protective railways and irrigation are only an indirect form and they need not be the only indirect form; there are other indirect forms which might do as well. If, for instance, you give agricultural education to the agriculturists, if you help them to acquire industrial education, if small industrial occupations are promoted—in these and various other ways you can enable the agriculturists to better resist and tide over the effects of a famine. My proposal, therefore, is that this grant of 75 lakhs should be abolished altogether, and the money thus set free be devoted to some object which will improve the condition of the agriculturists and enable them to resist famine.

If, however, the Government are unwilling to do this, I urge that the grant should at least be suspended till the Government find it necessary to borrow again for meeting famine expenditure. Lord Lytton's Government expected that every ten years they would have to borrow, in the absence of some special provision, such as they proceeded to make, a sum not exceeding 15 crores. This was, of course, a rough calculation. Now, during the last ten or twelve years we have had several severe famines; but even after finding all the expenditure required for the famines, the Government have realized surpluses exceeding 20 millions, and they would have had large surpluses even if the famine grant had not existed. Therefore, there is no occasion now for a special grant in this connection, and no special provision should be made till the Government find it necessary to borrow again. I therefore beg to move this resolution.

[ *Replying to the debate, Gokhale said :* ]

It is quite true, Sir, that neither the Finance Department nor myself have anything new to say on the subject. It is also true that for the moment the Hon'ble Member is unconvinced by what I have said, just as I am unconvinced by him; but I am in hopes that, if he is unconvinced this year, he will show himself more responsive next year or the year after. I find some comfort in the thought that a similar experience has come to the Finance Department in other matters in previous years.

There is one portion of the reply of the Hon'ble Mr. Meston<sup>1</sup> to which I would like to refer, and that is the concluding portion. The Hon'ble Member says that if we took the last ten years, it would be found that the actual Famine Grant of a million a year was practically exhausted in famine relief and protective works, and that if my proposal had been adopted ten years ago and if the Famine Grant had not been

1. see foot-note on p. 162.

available, Government would have had to show a loss account in connection with famines. Now, Sir, this is really ignoring the whole spirit of the creation of the Famine Grant. When the Famine Grant was created more than 30 years ago by Lord Lytton's Government, there were no large, ordinary surpluses accruing to the revenues of the country to take into account. Sir John Strachey,<sup>1</sup> the Finance Minister, who created the fund, took into account all possibilities of the ordinary revenue, and came to the conclusion that the Government could not provide out of that revenue this margin for famine expenditure, and therefore the Government of that time imposed extra taxation in order to have this margin. But now, when you have a large margin in your ordinary accounts, I do not see what is the special object of maintaining a separate account of this Famine Grant and then saying that famine expenditure is met out of this grant. My point is this : During the past ten or twelve years, which the Hon'ble Member has taken, you have met the whole of your famine expenditure out of this Famine Grant, and you have had besides 23 millions or somewhere thereabout as the total of surpluses realized. If this Famine Grant had been abolished and the annual revenue reduced by its amount, even then you would have had large surpluses, the total being between 15 and 20 millions, instead of being between 20 and 25 millions. Well, Lord Lytton's Government never had such surpluses, and if they had thought that the ordinary revenues would provide such surpluses, they would never have created this Insurance Grant. I, therefore, venture to think there is not much force in the concluding portion of the Hon'ble Member's reply.

( The resolution was put and rejected ).

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*Financial Discussion, 1911-12, Second Stage, 8th March 1911.*

## PROTECTIVE IRRIGATION

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Gokhale : I beg to move the next resolution which stands in my name. It is this :

That this Council recommends that the allotment of seventy-five lakhs of rupees under Famine Relief and Insurance, which is proposed to be devoted to Reduction or Avoidance of Debt, be transferred to Protective Irrigation.

I move this resolution on the ground that any expenditure on some useful object is better in present circumstances than this eternal reduction of a small vanishing debt. I would like to have these 75 lakhs, if possible, available for objects like education, sanitation and medical relief ; but if that is not possible, I should prefer that the

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1. see foot-note on p. 169.

the other Departments and wanted to raise no question about them. And my point in connection with both these Departments was this. For some reason or other, the charges went up to a certain year, and then, for a year or two, in each case, the charges went down, owing to financial pressure evidently. But the charges are going up again and there is no explanation forthcoming. I wanted to impress on the Council that if charges can be kept down owing to financial difficulties, they are capable of being kept down. And as the financial difficulties are not yet over it is necessary that the charges should not be allowed to go up again.

As regards what the Hon'ble Mr. Robertson<sup>1</sup> has said, that is only carrying the unsatisfactory state of the matter one step further. If there are no suitable Indians available owing to the lack of facilities for proper training, the Government have to see to it that such facilities are provided, and Indians with the necessary qualifications are available; surely that is a duty resting upon the Government. However, I do not want to press this resolution.

(The resolution was withdrawn.)

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*Financial Discussion, 1911-12, Second Stage, 8th March 1911.*

## SALT

[ *Moving his resolution calling for a reduction of Rs. 50,000 under Salt, Gokhale said :* ]

Sir, I beg to move

That this Council recommends that the expenditures under Salt be reduced by Rs. 50,000.

Here again I have not got much to say. I find that the establishment charges in 1907-08 were 45 lakhs. Then, evidently, under the difficulties of the Finance Department, they dropped to 40 lakhs in 1908-09. In 1909-10 they dropped still further to 39.6 lakhs. But with an improvement in the financial condition, they are again rising and the figure for the current year is 43.7 lakhs—I mean, the revised estimates. Now, Sir, I do not understand why these charges should be allowed to rise by about four lakhs in one year, and that is why I propose this reduction.

Then, I find that there are 30 officers in this Department in all India, excluding Madras Presidency, on salaries ranging from Rs. 500 to Rs. 3,000 a month, and only three of them are Indians. In Madras

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1. see foot-note on p. 178.

believe, to the deficit and the brake put on by the Finance Department in consequence. But that was only temporary, and with easier finances the tendency for the charges to go up again has reappeared. The charges, which, in 1909-1910, were 28.58 lakhs, have fallen during the current year to 28.16 lakhs, which is the revised estimate figure; but in the next year's budget provision has again been made for 28.86 lakhs. This is a higher figure than the highest ever reached by the charges at any time during the last ten years. I want these charges to be kept down, and that is one of the reasons why I move this resolution.

Then, about the Geological Department. Here also the charges have been growing. They grew rapidly for three years from 1905-1906 onwards, and then there was a fall, and now again there is a tendency for the charges to rise. In 1905-1906, the charges were 2½ lakhs. In three years they rose, that is, in 1908-1909, to 3.7 lakhs—an increase of over a lakh or 48 per cent. in three years. Then the financial difficulties brought about a fall and the fall was satisfactory. It was from Rs. 3,64,000 to Rs. 3,12,000. This year the revised estimate is 3.17 lakhs. All this shows that when there are financial difficulties, this Department can reduce its charges. In next year's budget, however, the figure again rises to 3.49 lakhs, and no satisfactory explanation is forthcoming about the necessity of this increase. I therefore move the reduction mentioned in the resolution.

### Higher Appointments for Indians

Then, Sir, I find that in the Survey of India there are 57 appointments with salaries between Rs. 500 a month and Rs. 3,000 a month, and there is not a single Indian among them. In the Geological Survey and Museum there are 21 appointments with salaries between Rs. 500 and Rs. 2,000 a month, out of which only two are held by Indians. And I would like to ask the Member in charge of the Department if he cannot, in the course of next year, in filling up any vacancies that may arise, find room for some Indians, so that, even if he is not able to effect a saving in salaries, he might save at least something in exchange compensation allowance.

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[ *Replying to the debate, Gokhale said :* ]

Sir, I think much of what the Hon'ble Mr. Madge has said was beside the point, so far as the discussion raised by me is concerned. I specifically stated at the outset that I did not want to refer to other Departments than the Survey of India and the Geological Survey; in fact, I expressly stated I had nothing but appreciation for the work of



should take into consideration the growth of the total revenue only, and as that growth, taking good and bad years alike, is not more than one and half per cent., and even taking good years alone, it is not more than two or two and a half per cent., this increase in charges of more than six per cent. per annum is open to serious objection. I have therefore thought it necessary to draw the attention of the Council to the matter.

Then, Sir, there are 21 officers in this Department, with salaries ranging between Rs. 450 and Rs. 2,500 a month, of whom only two are Indians. There are three probationers, but there is no Indian among them. I submit this is very unsatisfactory.

[ Mr. Robertson<sup>1</sup> observed that the increase in expenditure was necessitated by the creation of a new Imperial Customs Service, a general overhauling of the Department and the necessity of paying the subordinate staff more than before, because they had to live in expensive places like Calcutta, Bombay and Rangoon, where the cost of living had grown enormously. With reference to these observations, Gokhale said : ]

Sir, I would like to make only one remark, and it is this : of course the cost of living is going up; and there may be a hundred other reasons for increasing these establishment charges; but, surely, there must be some relation between the growth of the charges and the growth of the revenue. By revenue, I mean, as I have already said, the total revenue of the country. This increase of charges, at any rate of 6 per cent. annually, is much too high.

( The resolution was put and rejected. )

*Financial Discussion, 1911-12, Second Stage, 8th March 1911.*

## POST OFFICE

[ Moving for a reduction of Rs. 50,000 in Post Office expenditure, Gokhale spoke as follows : ]

Sir, I beg to move

That this Council recommends that the expenditure under Post Office should be reduced by Rs. 50,000.

I find here that, in 1907-08, the establishment charges were 1.72 crores. In 1910-1911, that is, the current year, the charges in the revised estimates appear at 1.98 crores, a rise of about 26 lakhs or fifteen per cent. in three years. This is the same story as in other Departments, a rise of five per cent. per annum, a much higher rise than the general finances of the country can afford. I find on the other hand that the growth of Post Office revenue has been less than this, but I think that has just been explained by the Hon'ble Mr.

1. see foot-note on p. 178.

the same officers evidently perform duties in connection with Salt, Abkari and Separate Revenue, and I find that, while there are 21 such officers in that Presidency, only one of them is an Indian. My suggestion is the same as about other Departments, and my financial reason, exchange compensation allowance.

[ *Replying to Gokhale, Mr. Robertson said that a proposal of effecting a reduction of Rs. 85,000 was already under the consideration of Government, and that, as regards the employment of Indians, a sympathetic officer like Sir Richard Dane had recognised the difficulty of getting Indians of the desirable type to take service in the Salt Department. Referring to this reply, Gokhale said :* ]

I would like to make one or two observations about the concluding portion of the Hon'ble Member's remarks. I cannot possibly accept his statement that Indians cannot be found for this sort of work. I am quite sure that if efforts are made and reasonable facilities afforded to Indians, Indians will be found competent and willing to undertake these duties. I do not think that the opinions of individual officers should be accepted as conclusive on a question of this kind.

( The resolution was put and rejected. )

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*Financial Discussion, 1911-12, Second Stage, 8th March 1911.*

## CUSTOMS

[ *Gokhale moved for a cut of Rs. 50,000 in the expenditure under Customs. He made the following observations on the occasion :* ]

Sir, I beg to move

That this Council recommends that the expenditure under Customs be reduced by Rs. 50,000.

Here, too, I find a steady rise in the establishment charges. I have taken the figures for the last six years. I find that in 1905-06, these charges stood at 27.3 lakhs. They have risen to 36 lakhs in the current year, and for the next budget year provision is made for 37.2 lakhs. This means an increase of 10 lakhs in six years, or, in other words, of 36 per cent., i. e., an increase of over six per cent. per year. The other day, in moving my resolution on the growth of public expenditure, I pointed out that it was necessary to keep the growth of charges within the limits of the growth of revenue. Of course, if we only take Customs-revenue, possibly we shall find a larger margin for expenditure. But I submit that in all such cases the Government

Rs. 3,000 a month, and of these only three are held by Indians. This, I think, is a matter for legitimate complaint.

[ *Mr. Robertson explained that the increase in expenditure was due to revision of salary scales; that the revenue did not show much increase because State messages, which were always sent 'Urgent' ones, were less numerous than before; and that whereas in 1893 there was not a single Indian in the superior establishment of the Department, there were now 20.*

*To this, Gokhale made the following reply :* ]

I find, Sir, that even if we go back to the time when urgent State messages were sent on a much larger scale than now, even then, the growth of revenue did not keep pace with the growth of expenditure. Thus, in the year 1908-09, the revenue was 1 crore 31 lakhs, which means an increase of about 9 per cent. over the figure of 1905-06, or about 3 per cent. per annum, as against a growth in charges of between 5 and 6 per cent.

As regards the fact mentioned by the Hon'ble Mr. Robertson that twenty years ago there was not a single Indian in this Department, whereas now they have just begun to introduce Indians, I would ask him to go a little faster. Out of 86 superior officers at present, only three are Indians. I think the Hon'ble Member will see the necessity of moving a little faster.

[ *Mr. Robertson : Twenty, I think I said. ]*

But I am taking appointments only of Rs. 500 and above ; there are only three Indians among them.

[ *Mr. Robertson said that the latest recruits would take some time to reach Rs. 500, as they did not begin on pay as high as that. ]*

( The resolution was put and rejected. )

*Financial Discussion, 1911-12, Second Stage, 8th March 1911*

## RAILWAY WORKING EXPENSES

[ *Gokhale moved for a reduction of Rs. 50 lakhs in Railway working expenses. In doing so he spoke as follows :* ]

I beg to move, Sir,

That this Council recommends that the working expenses of Railways be reduced by 50 lakhs of rupees.

It may be in the recollection of Hon'ble Members that last year I had moved in this Council a similar resolution. I had then suggested that the working expenses of railways should be reduced by a crore of rupees. This time I am more modest and I ask for a reduction of only 50 lakhs

Stewart-Wilson, and so I do not want to say anything more about it. Then, Sir, I find that there are 41 appointments in this Department with salaries between Rs. 500 and Rs. 3,500 a month. And of these, only four are at present held by Indians; and, as in other Departments, they are only on the lower rungs of the ladder.

[ *Mr. Stewart-Wilson, in introducing the head of Post Office, had explained that the decrease in Post Office receipts was due partly to sweeping reductions made in the postal rates, and partly to abnormally bad seasons. The increase of expenditure, he observed, was due to increase of work, and to revision of salaries. The number of Indians in the higher ranks, he pointed out, was also on the increase. In reply Gokhale said :* ]

I am very glad to hear what the Hon'ble Mr. Stewart-Wilson has said in reply to my observations. His solicitude to give larger facilities for the employment of Indians in his Department is well known and I entirely accept all that he has said; and, to mark my sense of the efforts he is making, and of his very friendly statement, I would like to withdraw this resolution.

( The resolution was withdrawn. )

*Financial Discussion, 1911-12, Second Stage, 8th March 1911*

## TELEGRAPHS

[ *Making his motion for a cut of Rs. 50,000 in Telegraphs expenditure, Gokhale made the following remarks :* ]

Sir, I beg to move

That this Council recommends that the expenditure under Telegraphs be reduced by Rs. 50,000,

Here I find that there has been an increase of 32 per cent. in five years, which means the same story again; an annual growth of five to six per cent. In 1905-06, the expenditure was 88 lakhs; for the current year, taking the revised estimates, it is 116·8 lakhs—an increase of 28½ lakhs, or of 32 per cent. in five years. The Hon'ble Member, who introduced this head, explained that the establishment charges, met out of ordinary revenue, bear a sort of inverse proportion to the capital outlay on telegraphs; that when the capital outlay is larger, the establishment charges, met from current revenue, appear smaller. I must confess that I have not examined this matter from that standpoint. I find, however, that the revenue of this Department, since 1905-06, has remained stationary; it was nearly 120 lakhs in 1905-06; it is 124 lakhs now. But while the revenue has not advanced, the charges, as I have pointed out, have increased by 32 per cent. in five years. Then, Sir, there are 86 appointments in this Department, with salaries between Rs. 500 and

The farther you move from the Provincial Governments, the smaller is the employment of Indians; the Provincial Governments, amenable to the pressure of public opinion, and anxious to do what they can for the people entrusted to their charge, try to employ the Indian agency to some extent. When we come to the Departments under the Government of India, we find that the Indians do not fare so well. In Railways, the Indians fare the worst; and even among Railways, those managed directly by the State are better than State Railways under Companies' management; the position is absolutely hopeless. Taking the Railways managed by the State,—and I go down very low, I go down to Rs. 200 a month, because otherwise we have hardly any Indians anywhere,—I find that there are 820 officers with salaries ranging between Rs. 200 and Rs. 3,000 a month. And among these only 47 are Indians; and even these 47 Indians are confined to two or three Departments only. The Accounts Department has got 11; there are 15 in the lower ranks of the Engineering Department; and there are 12 in the lower ranks of the Traffic Department. In all other Departments there is hardly any Indian. There is one in the Code and Signalling, there is one in the Medical, there is none in the Management, and none anywhere else. This is the position as regards State railways under the direct management of the State. When we come to State railways managed by Companies, the position is even worse. Here we have over 1,100 appointments ranging from Rs. 200 to Rs. 3,500, and among these the number held by Indians is only 30. The number of permanent appointments on these Railways between Rs. 500 and Rs. 3,500 is 774; out of them only 10 are held by Indians; the number of temporary appointments between the same limits is 30, out of which only 2 are Indians. Descending to appointments between Rs. 250 and Rs. 500, of which there are 299, we find only 18 held by Indians. Here, then, Sir, is plenty of room for the employment of Indians, and if Indians are employed there will be a considerable saving and the working expenses of Railways will be reduced. And there will be no difficulty in bringing down the proportion of working expenses to gross earnings to about 50 per cent., as I propose.

[ *Replying to criticisms of his proposal by Sir. T. R. Wynne,<sup>1</sup> Gokhale said: ]*

Sir, the Hon'ble Sir T. R. Wynne began by saying that my object in moving this resolution was probably not really to ask for a reduction in the working expenses, but to raise this question about the employment of Indians. Now, I beg leave to assure him that he is not correct there. I did want to urge him to reduce his working expenses this

1. see foot-note 2 on p. 179.

But, Sir, before I say anything in support of this resolution, I would like to express my satisfaction about one or two features of this year's railway finance. In the course of my speech last year, I deemed it necessary to protest against, in the first instance, the tendency of the Railway administration constantly to exceed the Budget Estimates, and I also pointed out that the working expenses had been going up rapidly since the creation of the Railway Board, and that, unless the rate of growth was checked, the general revenues of India would again have to find money in order to keep our railways going, as they had to do for more than 50 years. I am glad to find, Sir, that in both these respects, there has been an improvement; that this year the Budget Estimates have not been exceeded, and that the working expenses too bear a smaller proportion to the gross earnings than was provided for in the Budget Estimates introduced last year.

### Disproportionate Working Expenses . . .

But, Sir, the proportion of working expenses is still much too high, and I must take this opportunity to press for a further reduction. I went into this question in some detail last year, and I pointed out how for fifteen years before the creation of the Railway Board the proportion of the working expenses to gross earnings had ranged between 45 and 48—only one year showing a higher percentage, a little over 49—and how as soon as the Railway Board was created, the working expenses began to mount up. The Railway Board came into existence in 1906 and straightaway the proportion in that year went up to 50 per cent.; next year, i. e., in 1907-08, it went up to 57·5; in 1908-09, the year of a heavy deficit, it went up to 62; in 1909-10, owing to a general complaint, it came down to 55·3. And in the revised estimates for the current year, we see a further reduction to 54·6. However, for the next year, provision is again made for 54·4 per cent. of gross earnings as working expenses. Now, Sir, I think that 50 per cent. should be an ample proportion for the working expenses of railways. For fifteen years they were satisfied with less than 50 per cent. We may take into account the fact that prices have gone up; on the other hand, there is the fact that for renewals and betterment, they have spent a great deal of money during the last three or four years. I think, therefore, that next year, or, if not next year, at least during the succeeding year, the Railway Administration should try its best to cut down the working expenses to 50 per cent. of the gross receipts.

### Almost Complete Exclusion of Indians from High Offices

Then, Sir, I find that in this Department the exclusion of Indians from high office is practically complete, and one way of reducing the working expenses would be to employ Indian agency on a larger scale. Sir, my investigation of this question has led me to one conclusion, and it is this.

## BUDGET SPEECH, 1911

[*The Council met on the 27th March, 1911 for the final debate on the Budget, Lord Hardinge, the Viceroy, presiding. Gokhale made the following speech :*]

### Comparison of Bombay's and Burma's Finances

My Lord, I understand that my Hon'ble friend Mr. Gates<sup>1</sup> intends to criticise certain remarks on the financial past of Burma made by me the other day in the course of the debate on my resolution about the growth of public expenditure in this country. In view of that, I had meant to wait till the Hon'ble Member had spoken before rising to speak. As, however, the Hon'ble Member wishes to have the last word in this matter, and I do not particularly mind his having the last word, I am quite willing to let him have his way, especially as he has very courteously given me an idea of what he proposes to say, and has also given me his permission to reply to his criticism by anticipation. Before I avail myself of that permission, however, I think I should refresh the memory of the Council in connection with the point at issue between the Hon'ble Member and myself. My Lord, the Council will remember that when I moved my resolution urging an inquiry into the growth of public expenditure last January, the Hon'ble Mr. Gates attacked my proposal in a speech which may still be in the recollection of this Council, and in the course of that speech he described the Budget of Bombay as a bloated Budget. When it came to my turn to reply, I indulged in a retort—a retort obvious to all who knew the financial history of Upper Burma; I said that if the Budget of Bombay was a bloated Budget, in any case we paid every penny of it; that when Upper Burma, which had lived for nearly twenty years on other Provinces, refunded to the Government of India what it had drawn from other Provinces, then it would be time for the representative of Burma to speak of other peoples' bloated Budgets. Now, my Lord, the first observation I would like to make in this matter is this—that I quite recognise that the Hon'ble Mr. Gates only indulged in a sort of bantering expression when he spoke of the bloated Budget of Bombay but then my retort too was a bantering retort, intended at the time to be a mere debating retort and nothing more. However, like all bantering retorts, which have an element of truth in them, my retort has gone home, and I find some feeling exhibited in the matter even in Rangoon; I have seen articles in Rangoon papers on the subject. As

1. see foot-note on p. 195.

year as I urged him last year. Then, he has told the Council that I have brought forward the same arguments this year that I did last year, and to my arguments of last year he had given a conclusive reply. Well, Sir, the Hon'ble Member's reply of last year was not conclusive to me; but his revised estimates, laid before us this year, are conclusive. He said last year that the proportion of working expenses to gross earnings, provided for in last year's Budget, was absolutely necessary. Well, we had a discussion on that point. Whether it was the result of that discussion or of the pressure of the Finance Department or some fresh light coming to the Railway Administration, the proportion has gone down this year—I am speaking of the revised estimates for the current year. And that, Sir, is a much more conclusive and satisfactory answer to me than what the Hon'ble Member said last year.

Now, Sir, as regards the employment of Indians, if I travel a little beyond mere financial considerations, I shall only be following the Hon'ble Member's example. And I hope that, as he was allowed to make these observations, you will allow me also to follow on those lines. I decline, Sir, to accept—and I say that at once and emphatically—I decline to accept the general argument that he has advanced in this Council today of the unfitness of Indians for Railway work. If facilities have not been given to them to show their fitness, if they have not been tried, that, surely, is not their fault. If after fifty years of Railways in this country, you have only just begun to give a trial to Indians, that again is not their fault. If there is one Indian, discharging the duties of Chief Engineer, that only shows that if you select the right type of Indians and give them a chance, they will do their work as satisfactorily as anyone else. If people elsewhere, if the Japanese for instance, if other people are managing their Railways, I do not see why we should not be able to do so. After all we are not born with a double dose of original sin. I do not say that we want to dispense with European guidance, but there is undoubtedly room for a much larger employment in the higher ranks of Railway service without impairing efficiency in the least. Sir, the extreme position taken up by the Hon'ble Member, and the whole spirit of the statement read out by him, is enough to explain why we occupy such a very unsatisfactory position in Railway service. One has only to compare Railway administration with other administrations—one has only to contrast the spirit of the Hon'ble Member's remarks with, for instance, what fell from the Hon'ble Mr. Stewart-Wilson earlier in the day, to understand why it is that Indians fare so badly as regards employment on Railways. Sir, I protest emphatically against the Hon'ble Member's remarks, and to mark my protest I will divide the Council on this resolution.

( The resolution was rejected, 10 voting *for* and 43 *against*.)



modify my original proposition that Upper Burma had not paid its way for nearly twenty years and say that the whole of Burma had not paid its way for more than forty years. If that will please the Hon'ble Member, he may have this proposition—this time made not in banter, but in sober seriousness !

But, my Lord, that is not all. This return, which was prepared by the Accountant-General of Rangoon, tries to give every advantage to Burma in the calculation. For instance, Burma is charged, not with its fair share of Military expenditure, but only with the cost of the troops actually located in Burma, and that is really very small compared with the whole Military expenditure of India. Then, as to non-effective charges in connection with the Army, Burma is charged, not with the usual percentage of 42, but only with a percentage of 33. There are other charges also made on a smaller scale than in the case of the rest of India ; and finally there is this significant omission here. The return says that the deficits, shown in the table appended, for more than forty years, are exclusive of certain items which have not been taken into account—items for which Burma should be charged, but has not been charged, in this calculation. Thus, Burma is not charged in this return with its share for Civil and Public Works pension and furlough allowances in India ; Burma is not charged with its share of the capital cost in connection with telegraphs ; Burma is not charged with any contribution to the Royal Navy and Royal Indian Marine ; finally, Burma is not even charged for her fair share of the Central Government in India. Exclusive of all these charges and giving every advantage to Burma, this return, prepared by the Accountant-General of Rangoon, and laid by the Government of India on the table of this Council, shows that for more than forty years the whole of Burma was not paying its way ; and as a result we find that Burma is indebted today to India to the tune of about 62 crores of rupees. The other day I pointed out that the unproductive debt of India is 37 millions or about 55 or 56 crores of rupees. If Burma had not been with us, we should have had no unproductive debt today and have been 6 or 7 crores to the good. It may be contended by the Hon'ble Member that it is not fair to begin the account, as this return does, with the debt charges, due on account of the First and Second Burmese Wars. *But it must be remembered that that has been the practice of the Government of India in connection with its own accounts in this country. England has never borne any part of the cost of the wars, or of the measures that were necessary to put down the Mutiny, or any other debt that has been raised in this country. India has paid the whole cost of all the wars ; India has paid the whole cost of putting down the Mutiny ; India has borne the whole responsibility for every debt that has been raised in connection with this country. If Burma*

this has happened, I am quite prepared to put all banter aside and to take the question up as a serious question to be argued in a serious spirit, and I will argue it in that way today. So far as the proposition that I made last January is concerned, viz., that Upper Burma was not, for nearly twenty years, able to pay its way, that, of course, is a historical fact; any one who knows the financial past of Upper Burma knows that. Upper Burma was annexed in 1886. From 1886 to 1897—a period of eleven years—the accounts of Upper Burma were kept separate, and during all these years, as the Hon'ble Mr. Gates himself will admit, Upper Burma showed a heavy deficit year after year. It was as high as over 2 crores of rupees for the first year, and for the last year it was nearly a crore—about 95 lakhs. Then the accounts of Upper and Lower Burma were put together, and, of course, after that we have no direct means of knowing how much Upper Burma cost the Government of India. But there is plenty of indirect evidence to show that the deficits of Upper Burma continued for about seven or eight years more. That means that if the accounts of Upper Burma had continued to be kept separate, it would have been 18 or 19 years before Upper Burma was able to make the two ends meet. So far, therefore, as my actual proposition is concerned, it is absolutely unassailable. The Hon'ble Member, however, may say, 'Oh! you must not take part of a Province like this! And Upper Burma is only a part of the whole Province of Burma!' But even before Upper Burma was annexed, Lower Burma was not paying its way. The utmost that may be conceded for the sake of argument is that Lower Burma was just paying its way when Upper Burma was annexed; still when Upper Burma was joined to Lower Burma, a deficit ensued, and, that deficit had to be made good by the Government of India. Therefore, my position is not shaken even if you put the accounts of Lower Burma with those of Upper Burma. But, my Lord, my Hon'ble friend, the non-official Member from Burma, Maung Bah Too, has most unexpectedly come to my assistance in this matter. He asked for a return the other day, and only four or five days ago a return was placed by the Government on this table, which is a crushing indictment of the financial position of Burma, even taken as a whole. The return is a Government return, and I shall be glad to know what the Hon'ble Mr. Gates has to say to it. The return shows that from 1860 up to 1903-04—the year in which the return was prepared—the whole of Burma, Lower and Upper, taken together, had not been paying its way. It was not therefore only Upper Burma, for a period of nearly twenty years, but the whole of Burma for more than forty years that was not paying its way. I do not know how it has been since; probably things have been slightly better, but they cannot be very different. I am therefore prepared to

wants to be considered separately, then Burma must also be prepared to undergo the same treatment; and that treatment has been applied to Burma by the Accountant-General of Rangoon, with results well worth the study of the Hon'ble Member.

There is one thing more I want to say in this connection. Taking the positions of Burma and Bombay even today, what do we find? It is usual to apply two tests in such comparisons, the test of population and the test of area, to judge as to what is the burden of taxation in a Province. I think both tests are largely fallacious, but if these tests have to be applied, they must be applied differently to different heads of revenue. For land-revenue and forests, I think, the proper test to apply is the area test; for stamps, registration, assessed taxes and excise, on the other hand, the proper test to apply is the test per head. Applying the tests in this way, I find that Bombay pays per head for assessed taxes, stamps, registration, and excise, Re. 1-9-10 per head, whereas Burma pays Re. 1-6-10 per head. As regards land-revenue and forests, I find that Bombay pays Re. 0-15-3 per square mile, whereas Burma pays Re. 0-13-3, and this in spite of the fact that Bombay is largely handicapped by Sind. Thus, even omitting salt and customs, Bombay taxation is higher than that of Burma.

#### So-called Permanent Provincial Settlements

I will now pass on to offer a few observations on the Financial Statement which the Hon'ble the Finance Minister has laid before this Council. My Lord, the most interesting portion of the Financial Statement is that which deals with the question of Provincial finance. Undoubtedly a very important step forward has been taken and the Hon'ble Member is entitled to speak with legitimate pride of what has been done. When, however, he describes these new Provincial Settlements as permanent, a question arises as to whether the use of the term is justified. Looking at the new settlements in a large way, we find that there are four special characteristics which may be noted. The first is that there will be in future a withdrawal of all minute control over the Budgets of Provincial Governments. The second is that the doctrine of contractual responsibility will be enforced rigidly in future in the case of all Provincial Governments. The third is that, as far as possible, Provincial revenues will be derived from portions of growing revenues and that large fixed allotments will not be made hereafter to the Provinces. And the fourth is that a further step has been taken in the direction of the provincialization of certain revenues, forests in all cases, and excise in the case of Bombay and Eastern Bengal and Assam. Now, these are all very important features, all four of them. But even so, I do not think that the new settlements are likely to be any more permanent than the previous settlements were. Let us consider the matter in some detail.

## Financial Decentralisation

I had intended going into this in some detail, but I see that my twenty minutes are nearly up and I must conclude. I will therefore content myself with making only one or two observations. My Lord, taking the real revenue of the whole of India as estimated in next year's Budget, we may put it down at about 83 crores or 55 millions for the next year. As I explained on a previous occasion, I leave out in this refunds and drawbacks and assignments and compensations, as also the cost of production of opium; and the Commercial Services I take net. Out of this 83 crores, about four-sevenths is now the revenue of the Government of India, and three-sevenths is the revenue of the Local Governments. Now, I think, it is possible to assign the principal heads to the Imperial and Provincial Governments in such a way that the Local Governments should have at their disposal a little more than the revenue which they at present enjoy, and the Government of India should have at its disposal a little less than what it has at present.

The excess, which the Local Governments will thus get, should come back to the Government of India in the shape of fixed assignments, which, of course, would not be capable of growth, and to that extent the Government of India would have inelastic revenues at its disposal. On the other hand, as the Government of India will have Customs-revenue, and as it will realise more and more from this source, I do not think that there would be any difficulty as regards the total revenue of the Government of India being sufficiently elastic. I think, my Lord, that the Government of India could and should raise much more revenue from Customs than they are doing today. In Germany, I find 57 millions are raised by Customs; in America 60 millions are raised by Customs; so that there is plenty of margin for raising a larger revenue from this source in India. My proposal, therefore, is this, that certain principal heads should be provincialised straight off. I would begin with Land Revenue, Excise and Forests, making them over to Local Governments, and such Local Governments as would get from them more than they actually require just now should be called upon to make fixed allotments to the Government of India. As the Government of India's revenue from its own sources, such as Customs, grows, more and more of the other heads should be provincialised. So far, the advance has been from centralized finance to decentralized finance. When the process of decentralization is completed—and we are yet a good way from completion—we have to advance from that to federal finance, which should be our goal. And I have indicated briefly how we may gradually proceed towards a federal basis.

surpluses are realised, the Government doles out a portion of them to the Provinces. Now, the Provinces habitually expect these doles and the expectation of the doles is thoroughly demoralising. If therefore you want any element of permanence in your provincial contracts, it is necessary, first of all, to see to it that the Government of India has no large surpluses to dole out to the Provinces; and this can only be ensured by reducing the resources which are at present at the disposal of the Government of India. What I propose, my Lord, is that instead of receiving its whole income from growing revenues, the Government of India should receive large fixed contributions from Provincial Governments, say, up to about one-third or one-fourth of its revenues, the other two-thirds or three-fourths being derived from growing resources. I think in this matter it is desirable to examine the practice of other countries, and there are three countries which can supply some sort of guidance to us on this subject—Switzerland, Germany and America. Switzerland, however, is a very small country, and I will therefore leave it out of consideration. The example which I think we should follow in this matter is that supplied by Germany. America is too advanced for us, because the federal finance of America is entirely separate from State finance, and it will be a long, long time before we reach that stage, if we ever reach it at all. But in Germany, my Lord, while the Empire has its own independent revenues, and the component States have theirs, the component States also make large contributions to the exchequer of the Empire. In fact, nearly one-fourth of the revenue of the Empire is at present derived from fixed contributions from the component States, and about three-fourths is derived from independent sources, such as Customs and Excise and Stamps. Now, I think, this is the direction in which we have to seek a solution of our problem. The Government of India should have about one-third or one-fourth of its revenue derived from fixed contributions made by the Provincial Governments. This will reduce the possibility of large surpluses being realised by the Government of India, and diminish the chances of doles being given to the Provincial Governments. As I have already said, the policy of doles, which has been condemned by successive Finance Ministers, and also by several Members of the Decentralisation Commission<sup>1</sup>, is a thoroughly demoralising policy, and if you want any strong financial responsibility to be felt by Provincial Governments, and the doctrine of contractual responsibility to be strictly enforced, you must see to it that this practice of the Government of India giving doles to Provincial Governments year after year is stopped—indeed rendered impossible.

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1. see foot-note 2 on p. 150.

[ *The Financial Statement for 1912-13 was discussed during its First Stage on 7th March 1912 and during its Second Stage on 8th March 1912. Lord Hardinge, the Viceroy, was in the chair on 7th March 1912, and Sir Guy Fleetwood Wilson, the Vice-President, on 8th March 1912.* ]

*Financial Discussion, 1912-13, First Stage, 7th March 1912.*

## COST OF BUILDING NEW DELHI

[ *Gokhale, in moving a Resolution recommending that the cost of building New Delhi should be met entirely out of loan funds, spoke as follows :* ]

My Lord, I beg to move

That this Council recommends to the Governor-General in Council that the amount of the loan to be raised during the next year be increased by one crore of rupees, so that the expenditure proposed to be incurred for building New Delhi in 1912-13 should be met entirely out of loan funds and not partly out of next year's estimated surplus.

My Lord, I do not think it is necessary for me to occupy the time of the Council for many minutes in discussing this question, because the issue which the Resolution raises is a comparatively simple one and may be briefly stated. In the Government of India despatch of 25th August last, recommending the administrative changes, recently carried out, to the Secretary of State, the question of the cost of building New Delhi is thus dealt with :

The cost of the transfer to Delhi would be considerable. We cannot conceive, however, that a larger sum than 4 millions sterling would be necessary, and within that figure probably could be found the three years' interest on capital which would have to be paid till the necessary works and buildings were completed. We might find it necessary to issue a "City of Delhi" gold loan at 3½ per cent. guaranteed by the Government of India, the interest, or the larger part of the interest, on this loan being eventually obtainable from rents and taxes.

It is quite true that the language of this extract is guarded, but still what the Government mention here is that a loan to be called 'the City of Delhi loan' might have to be raised in order to meet the cost of constructing the new capital. There is no mention made here of spending any money on the new capital out of current revenues—either out of regular revenue allotments in the budget or out of surpluses. The Hon'ble Finance Member, however, in his Financial Statement explains the course he proposes to adopt in the following words :

I may say at once that we are not yet in the possession of any estimates of its cost. Plans for the temporary housing of the Government of India headquarters

There is one matter of some importance on which I would like to say a word before I finish, and that is the question of Provincial taxation raised by my Hon'ble friend Mr Quin.<sup>1</sup> My Lord, this is a very important matter, and I quite recognise that Provincial finance will not attain an independent position unless and until Provincial Councils have the powers of taxation; but I think this is a very difficult problem, and things generally will have to advance a great deal before these powers can be safely conferred on those Councils; in any case, I urge, there should be no hurry in regard to this. I think, in the first place, the present practice of discussing Provincial Budgets must be well settled, and public opinion in the different Provinces must make itself felt by the Provincial Governments much more than it is doing today. Secondly, before powers of taxation are conferred on Local Governments, it is necessary that every Local Government should be a Council Government, with a Governor at its head, coming fresh from England. And, thirdly, it is necessary that there should be an elected majority of members in these Councils. When this position is reached, I think powers of taxation may safely be entrusted to Provincial Councils, but till then I would keep those powers in the hands of this Council. Finally, as regards borrowing, that will have to come after powers of taxation have been conferred, but I fear it will be some time before we are actually able to take these steps.

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1. Mr. H O Quin, ICS, Secretary, Bombay Government, and Bombay Government's representative in the Imperial Legislative Council.

Mr. Quin had said in his speech "No settlement can be regarded as complete which fails to make definite provision for Provincial taxation and for Provincial borrowing in the open market".

pluses would first be devoted to the building of Delhi, and if any more money is required, that would be found by means of loans.

My Lord, the Hon'ble the Finance Member says that he wishes to allay the fear—so far as he is concerned, he thinks it is a baseless fear—that the new city will be built from the produce of fresh taxation. Now, in speaking of fresh taxation, I fear the Hon'ble Member is taking only a technical advantage of certain expressions which have appeared in the press in this connection. It is true that immediately after the Delhi announcements some newspapers started the cry that the new capital would cost a lot of money, and that fresh taxation would be necessary. But, my Lord, whether the Government imposes fresh taxation for building Delhi or keeps up taxation at a higher level than is necessary for the ordinary needs of the country and secures surpluses which it devotes to Delhi, is after all the same thing. For when you devote your surpluses to this work, you practically take that money out of the current revenues of the country. My Lord, what is a surplus? It is so much more money taken by the Government from the people than what is necessary for the ordinary requirements of the administration. If the Government could estimate exactly the expenditure required for a year and could also form an exact estimate of the revenues which would be required to meet that expenditure, then there would be no surplus—at any rate, no large surplus. It is because it is impossible to estimate accurately how much revenue the Government would require in a year that surpluses accrue. But when they so accrue, the fact is clear that, to the extent represented by them, the Government has taken from the people more than what was required for the actual purposes of the administration.

### *Proper Disposal of Surpluses*

Now, my Lord, there are three ways in which a surplus may be expended. You may devote it either to a reduction of debt; or you may devote it to a reduction of taxation; or it may be devoted to expenditure on useful objects in the country. In most Western countries, when a surplus is realized, it is devoted to a reduction of debt. In this country, the practice, though not identical, ultimately results in the same thing. Our surpluses in the first place find their way into our cash balances and from these they are either devoted to expenditure on railways or irrigation, that is, to productive works—which ultimately reduces our unproductive debt by a corresponding amount—or they are directly used for reducing our debt. But whether they are used in the first or second way, the result is ultimately the same, namely, that of reducing our unproductive debt. This, however, has been one of the principal grievances which non-official Members have urged in this



are under preparation; but no plans for the permanent Imperial City are to be thought of until the best available experts have studied and advised upon the project in all its bearings. Meanwhile, my immediate duty has been to devise a scheme for financing the work, a scheme which will be as little onerous as possible to the taxpayers of India. Three possible alternatives have presented themselves throughout. The first, and in some ways the most attractive, would be a special Delhi loan. The second would be to charge the whole expenditure as it occurs against current revenue. The third would be to put the Delhi works on precisely the same footing as our large railway and irrigation works, treating them as capital expenditure and financing them partly from loans and partly from whatever spare revenues remain in each year after meeting our ordinary administrative needs. I shall not weary the Council by the various considerations which decided us, with the full approval of the Secretary of State, to adopt the third of these courses. It will, I believe, commend itself to the financial and commercial community of India. By treating the Delhi operations as ordinary capital work, we ensure the greatest possible elasticity in the provision of funds; we avoid unnecessary additions to our unproductive debt; and I hope we allay the fear—so far as I am concerned a baseless fear—that the new city will be built from the produce of fresh taxation.

The Hon'ble Member goes on further to say that

If money is easy and we can obtain more than we immediately require, it will lie in our cash balances available for future use. Meanwhile, as we shall now have three sections in our annual capital programme instead of two, we may reasonably enlarge the conventional figure of one crore which we have hitherto endeavoured to secure as our revenue surplus. There is no need to fix any standard surplus; much will depend on the circumstances of the year and on the other interests concerned; but whenever we find ourselves able to budget for a larger surplus than £667,000 without detriment to the other claims upon us, we shall do so until the financing of new Delhi is completed.

It will be seen that in this extract the Hon'ble Member does not confine himself to the idea of building Delhi out of loan funds, but makes prominent and even pointed mention of devoting such surpluses as may be available to the new capital. Now, my Lord, I do not say that there is necessarily any inconsistency between the despatch of the Government of India and the statement which the Hon'ble Member has made. It may be urged that while the despatch of the Government of India merely mentions that it *might* be necessary to raise a loan, it does not bind the Government to build Delhi out of loan funds only; on the other hand, the language of the Hon'ble Member, though it speaks of devoting surpluses to the construction of Delhi, does not exclude the possibility of raising a loan for building the capital. This, my Lord, is perfectly true. But the general impression left on the minds of those who read the despatch undoubtedly was that the new capital would be built out of loan funds, as any one can see from what appeared in various newspapers at the time on the subject. On the other hand, the impression that is strongly created by the words, which the Hon'ble Member has used in his Financial Statement, is that sur-

in addition to devote surpluses, when they accrue, to the same object. Moreover, the expenditure of Western countries is carried on under the direct control of the representatives of the people. Therefore Governments in Western countries, being largely dependent on the votes of the people, try to conciliate popular feeling by remitting taxation whenever a suitable opportunity presents itself. Of course I am not speaking of English finance of the last three years; but, speaking generally, the position is as I have stated. Though, therefore, the surplus that accrues in any particular year may go to the reduction of debt, any real improvement in the financial position, as represented by that surplus, is utilized as a rule for reducing taxation in Western countries. In this country, on the other hand, our experience is that, whenever there is a surplus, it is devoted to the reduction of debt, and any real improvement in the financial position that it may indicate is hidden away, as far as possible, by underestimating the revenue or overestimating the expenditure for the following year. And it is only when the improvement is so striking that it cannot possibly be hidden away that relief is given to the taxpayers. Take the history of our finances during the last fourteen years. There were no doubt remissions of taxation granted, but that was because the Government could not help doing it. As long as Government could help it, no reduction was made, and large surpluses were enjoyed and expended in various directions. Now, my Lord, my contention is that in this country a surplus is always a temptation to the Government either to pay off its debt faster than is necessary, or else to increase expenditure in directions which entirely depend upon its own will and which sometimes do not commend themselves to the people. This question, therefore, of the proper disposal of surpluses is to my mind a very important question, and that is why I raise it whenever an opportunity presents itself. My Lord, there are many useful directions in which our surpluses could be expended; or, if that course does not find favour with the Government, advantage ought to be taken of them to remit taxation so that the money remitted might fructify in the pockets of the people. Of course, if the Government merely borrowed to build Delhi without at the same time utilizing the surpluses either for reducing taxation or for expenditure on useful objects, it would in effect be the same thing as devoting the surpluses to the construction of the new capital. For in that case, while you will be borrowing with one hand to build Delhi, you will, with the other hand, be paying off debt by means of surpluses, realized by keeping the level of taxation higher than necessary. What I want is that while Delhi should be built out of loan funds—our trifling unproductive debt provides ample margin for that—the surpluses should be utilized either for non-recurring expenditure on education, sanitation and medical relief, as my

Council again and again for several year past. I, for one, have been raising my humble voice year after year against this misapplication of our surpluses since I entered this Council, now eleven years ago. Year after year I have been pointing out that while this may be sound finance in the West, it is not sound finance in this country, where the unproductive debt is really a very small amount. Last year I went at some length into the question as to what was the amount of our unproductive debt. I took all the various liabilities of the Government into consideration, as also all the sums due to it and its cash balances; and I showed that the actual unproductive indebtedness of the Government of India—putting aside the vast sums that have been spent on railways and irrigation, as they are earning their interest—was about 30 millions sterling only. Since then the Hon'ble Member paid off 2 millions out of last year's Opium surplus. And this year he pays off again another million out of this year's Opium surplus. Thus, three millions are knocked off, leaving only about 27 millions as representing our net unproductive indebtedness. It is true that the figures of unproductive debt which are given in Government publications are higher, because they do not take into account certain sums which are on the other side, namely, the loans that have been advanced by Government to Native States, to local bodies or to cultivators, and they also leave out of account our large cash balances. Now, an indebtedness of only 27 millions is a mere trifle for a country like India; in any case, there need not be this great hurry to pay it off. If the Government will provide a regular sinking fund of a reasonable amount to pay off the debt, there will be no occasion for anybody to complain. As a matter of fact, there is already provision for such a sinking fund, as I pointed out last year. Under Railways there is a sum of a little over eight hundred thousand pounds, which automatically goes to the redemption of debt. Then, again, under Famine Relief and Insurance, a sum of nearly half a million is always allotted to avoidance or reduction of debt. A million and a quarter thus, or to be more correct, a million and one-third, is devoted every year to the reduction of debt. At this rate, if no war or great famine or any other extraordinary occurrence of a like nature drives the State to borrow, our entire unproductive debt will be wiped off in twenty years and that without devoting any part of our surpluses to such reduction. There is not another country in the world where they could claim to be able to do this. In Western countries they have to provide a large sinking fund for the reduction of debt, because their unproductive debts are so large—a thousand million pounds in France, seven hundred million pounds or something like that in England, and corresponding debts in other countries! Where you have such huge debts, it is necessary to provide for a large regular sinking fund, and

if the estimate of the cost of new Delhi is correct, the Government could build the capital out of surpluses in one or two years. If this happens, whether provision for the expenditure is made out of current revenue at the beginning of a year or out of an estimated surplus at the end of the year makes really no difference. Only in the one case you put down the expenditure beforehand against revenue, and in the other you wait till such time as the accounts of the year show a surplus and then take the money. In either case, however, the money comes out of taxation. My Lord, as the Government has foreshadowed in its despatch of 25th August last the floating of a special Delhi Loan, I contend Delhi should be constructed out of loan funds, whether it costs 4 millions or 5 millions or 10 millions or any other amount. We want our surpluses for other purposes and the smallness of our unproductive debt allows plenty of margin for a Delhi loan. I urge, my Lord, therefore, that the loan for this year should be raised by one crore more—the amount indicated by the Hon'ble Member as likely to be taken out of next year's surplus to be spent on the construction of Delhi—and that the new capital should be constructed entirely out of loan funds

[ *Replying on the debate which ensued, Gokhale spoke as follows :* ]

My Lord, I will first say a few words as to what has fallen from my Hon'ble friend Sir James Meston. I accept his correction as regards £½ million, and I am quite willing to say that the present excess of our revenue over our expenditure is about 3½ millions instead of 3¼ millions. As regards the other point, namely, that I have left out of account the proposed expenditure on education next year, namely, 1½ crores, I may remind my Hon'ble friend that I have also left out our normal growth of revenue during next year. Sir Edward Baker<sup>1</sup>, when he was Finance Minister, once estimated this normal growth of our revenues at about 1½ crores. I have not taken that into consideration, and that is a set-off against the increase in educational expenditure which has been provided. Assuming, however, that the £½ million extra, which is going to be spent on education, should be deducted, there still remains a surplus of 2½ millions. My Hon'ble friend could not take it down further, and he has not told us why the Finance Department has budgeted for a surplus of only a million and a half. But whether the actual amount is 3½ millions or 3 millions or 2½ millions, it is a substantial surplus, and my contention is that there is nothing to prevent the Government from building Delhi out of current revenues by devoting the whole of the surplus to it for two or three years.

1. see foot-note on p. 51.

next Resolution recommends, or else they should go to the reduction of taxation.

### Government Figure of Surplus Questioned

My Lord, the Hon'ble Member has estimated the surplus for next year at one and half millions. As a matter of fact, if the Council will carefully analyse the revised estimates of this year, it will see that next year's surplus is likely to be nearer four millions than one and a half millions. I think the Hon'ble Member, as also the Hon'ble Sir James Meston<sup>1</sup>, will have to admit this. It is true that the Finance Department has made a very skilful attempt to hide away the true surplus partly under one head and partly under another, till only one and a half millions is left to show to the public. But I do not think the attempt has been successful. Take the revised estimates of this year; the surplus shown in the Statement for the year is 2.75 millions sterling. Out of this 1.75 millions is the special Opium surplus. The ordinary surplus, therefore, that is the excess of ordinary revenue over our ordinary expenditure in this year's revised estimates, is one million. Well, let us put that down first; next, my Lord, during this year the Government have made to Local Governments special grants, amounting to 1.42 millions or nearly 1½ millions. If these grants had not been made—they are all extraordinary grants—our surplus would have been higher by 1.42 millions. Then again I find from the Financial Statement that about half a million was spent in connection with the Royal Visit on the Civil side; two hundred and seven thousand pounds on the Military side, and the bonus and other boons came to about six hundred thousand pounds; altogether over one million and three hundred thousand. That is also extraordinary special expenditure belonging to this year only. We thus have one million the declared surplus, 1½ millions in the amount of special grants to Local Governments, and 1.36 millions, or about that, the cost to the Government of India in connection with the Royal Visit—altogether 3.87 millions, or nearly 4 millions. This then represents the real excess of our revenue over our expenditure at present, leaving aside the Opium surplus and leaving aside also what I have called our automatic sinking fund. But what I find done is that in next year's Budget, under nearly every head, the revenue has been underestimated and the surplus has been worked down to 1½ millions only. I hope the Council will see this and I hope it will realize that the question before us is not about 1½ millions only but about 4 millions sterling.

### Construction of Delhi out of Loan Funds

If the Government realize this sum of 4 millions—and I am sure it will realize it unless something extraordinary happens—and

1. see foot-note on p. 162.

devoted to such purposes as building a new city when it is urgently wanted for other objects. Money for non-recurring expenditure is required in various directions, as I will show when I move my next Resolution—for education, for sanitation, and for medical relief. When you have a surplus, that surely is the time when you can help Local Governments in meeting this expenditure. But my Hon'ble friend, when he has the opportunity, wants to take away the surplus for building a new Imperial city, and so we cannot get it now. Later, if and when we get into more troublous times, he will, of course, have nothing to give to Local Governments for these objects. I recognize that provision has been made in this year's budget for an additional 125 lakhs for education. That of course is true and I will speak about it on a future occasion. But leaving that out of account and merely confining ourselves to the manner in which our surpluses are utilised, I contend that the first and foremost claim on them in our present state is that of non-recurring expenditure in connection with education, sanitation, and medical relief. The Hon'ble Member said that his figure for unproductive debt differed from mine, and he mentioned 45 millions as the figure of our unproductive debt at present. Through the courtesy of the Hon'ble Sir James Meston I have got that figure here. A glance at it is sufficient to show that it does not represent the net unproductive indebtedness of the country today. Take the amount borrowed in 1908-09. There was in that year a deficit of 3½ millions, but the Government floated a loan of 6 millions—3½ millions to meet the deficit, and 2½ millions for other purposes. Again, later on, they borrowed 5 millions to pay off certain debentures, and then, instead of paying off the debentures, the loan went to swell the cash balances at the disposal of the Secretary of State. Surely that does not mean any true addition to our net indebtedness. If we take our net indebtedness, by which I mean all that the Government owes, *minus* all that is owed to the Government and the cash balances, which the Government maintain, whether in England or in India, the figure will be found to be 27 millions only, and no more. Well, that is a small amount, and if you add to this four or five millions for building Delhi, our unproductive debt will still be trifling.

My Lord, to the other questions raised by the Hon'ble Member, I think it will be more convenient for me to reply when I deal with the next Resolution. This matter is an important one, and I think it necessary to press my motion.

( The resolution was rejected, 16 voting for and 39 against. )

My Lord, the Hon'ble the Finance Minister drew a somewhat frightening picture as to what might happen to us in the course of a year. The sky, he warned us, might suddenly become overcast, and instead of the very comfortable situation in which the Finance Department finds itself at present, it might be necessary to impose extra taxation ! In replying to my friend the Hon'ble Pandit Madan Mohan Malaviya<sup>1</sup> a few minutes ago, the Hon'ble Member spoke of his proposal as calculated to lead to bankruptcy !<sup>2</sup> Now I am quite sure the force of reasoning of the Hon'ble Member would not suffer any abatement if he did not try to frighten us thus with talk of bankruptcy or of extra taxation. I am quite sure there is no need just now for either. With a surplus which may reach five millions, with that amount jingling in his pocket, I really do not understand how he can talk of bankruptcy or of extra taxation ! When we do actually get into troubled waters, it will be time enough for him to speak of bankruptcy or other dreadful possibilities ! The Hon'ble Member said that in other countries they have resorted to short term loans for such purposes. Well, I should be very glad if that plan were adopted by the Government of India. A short term loan, spreading the burden of building the new Capital over a period of, say, ten or fifteen years, would not be a bad arrangement. What I object to strongly is the utilization of our surpluses in this indefinite manner for the building of Delhi. The Hon'ble Member says, why should we throw any burden on future generations ? But what does he mean by a generation ? Does he mean that only two or three or four years form a generation ? At the present rate, if things continue normal, you could build Delhi in the course of two or three years out of surpluses if the estimate of the cost is not far wrong. Does he call two or three years a generation ? If he raises a short term loan of ten or fifteen years, I shall have no complaint to make.

Then, my Lord, the Hon'ble Member says that the Opium-revenue might be extinguished any moment or that we might suddenly get into other complications. But that itself is, to my mind, a very important reason why this money which is available just now should not be

1. *Madan Mohan Malaviya* (1861-1946), founder, Banaras Hindu University (1916), member, U. P. Legislative Council (1902), member, Imperial Legislative Council (1910), President, Indian National Congress, (1909, 1918 and 1933); was one of the founders of the Hindu Mahasabha and presided over its sessions held at Allahabad (1924) and Poona, (1935); attended the Indian Round Table Conference held in London (1931).

2. Pandit Madan Mohan Malaviya had moved a resolution recommending that "the special grant to the United Provinces be raised by a sum equivalent to one-eighth of the land revenue raised in those Provinces," and the Finance Member had replied that any such change "would open the door to financial chaos, and point the way to the bankruptcy of India."

we are able today to bring up the whole question of grants for discussion. I point this out because, unless this is remedied, an important object which the Government had in view in expanding the functions of this Council will be frustrated. A small change is all that is necessary. 'Financial Statement' should include not only preliminary estimates for the year following but also the revised estimates for the current year.

### *Proper Disposal of Surpluses*

Sir, this morning I pointed out that, if things continued normal, our real surplus next year will be nearer four millions than  $1\frac{1}{2}$  millions which is estimated in the Financial Statement. It will certainly be over three millions, and probably it will be nearer four. Now, the question is, how is this surplus going to be disposed of? It is an old standing controversy between the Finance Department of Government on the one side and certain non-official Members of this Council on the other—a controversy which has been carried on year after year for several years past, and I fear that it will have to be carried on till the Government comes round to the view which has been so often urged upon its attention. I pointed out this morning, Sir, that a surplus after all is so much more revenue taken from the people than what is really required for the needs of administration. A surplus, moreover, springs from the proceeds of taxation, and therein lies the difference between it and a loan. A loan is raised by borrowing; a surplus results from taxation. Now, Sir, had our unproductive debt been large, I could have understood the present policy of devoting surpluses to the reduction of debt. Even taking the figure which the Hon'ble the Finance Member gave this morning, namely, 45 millions, everybody will admit that it is a very small amount, considering the extent of the country and its financial resources. Moreover, if you provide a reasonable sinking fund for liquidating this debt, the responsibilities of the present generation in that matter are discharged. I have pointed out already that there is a million and a quarter or rather a million and one-third annually devoted to the reduction of debt as a sort of sinking fund. And, even if our debt is 45 millions, a million and a quarter or a million and a half, devoted every year to its reduction, is a very satisfactory sinking fund. And there is no necessity for any portion of our surpluses being utilized for the same object. My first point therefore is that, taking the smallness of our unproductive debt into consideration, there is no need to liquidate it out of our ordinary surpluses, the provision that already exists for redemption of capital under railways and for reduction or avoidance of debt under famine insurance being amply sufficient for the purpose.



## SURPLUSES AND PROVINCIAL RESERVES

[ *Moving a resolution recommending the creation of special Provincial Reserves by means of grants from Imperial surpluses, Gokhale spoke as follows :* ]

Sir, I beg to move

That this Council recommends to the Governor-General in Council that the total amount of the grants proposed to be made to the several Provincial Governments and Administrations during 1912-13 be increased by one million sterling—which means two-thirds of next year's estimated surplus—to form the nucleus of special Provincial Reserves, from which those Governments and Administrations could finance programmes of non-recurring expenditure in their Provinces on education, sanitation and medical relief, spread over a period of at least five years, and that in future two-thirds of the Imperial surplus, whenever it accrues, be added to these reserves.

### Definition of ' Financial Statement ' Needs Widening

Sir, before I deal with this Resolution, I think it necessary to renew my complaint of last year as regards the rule which regulates the discussion of additional grants to Local Governments in this Council. I pointed out last year—and I must repeat again today what I then said—that under the rule as it stands only the additional grants that are made in the budget for the year following can come up directly for discussion before this Council. The rule speaks of ' any additional grants mentioned in the Financial Statement, ' and ' Financial Statement ' is defined ' as the preliminary financial estimates of the Governor-General in Council for the financial year *next following* '. Therefore, strictly speaking, we can raise a debate here today only as regards additional grants that are in the budget estimates for next year, that is, for 1912-13. The rule, therefore, Sir, causes considerable inconvenience, because the more important grants are generally found in the revised estimates of a closing year, and if a Finance Minister chooses to put it out of our power—I do not say that the present Finance Minister intends to do anything of the kind—to discuss the grants that are made in the year, all that he has got to do is to underestimate the revenue in the budget, mention no grants, and, once the Financial Statement is out of the hands of this Council, to begin making grants, mentioning them only at the end of the year in the revised estimates ! If this is done and if there are no additional grants in the budget for the year following, no question can be raised about the grants made during the year. Fortunately, this year we have got additional grants for education in next year's budget, and therefore

before you. My proposal is that whenever you realise a surplus, you put aside, if you insist on it, a certain reasonable proportion of it to go to the liquidation of debt. I, for one, do not want really any portion of surpluses to go to the liquidation of debt. But the Finance Department thinks otherwise; therefore let a certain proportion—not more than one-third—go to the liquidation of debt. Having done that, let the rest of it be made over to Provincial Governments to form the nucleus of Provincial reserves for non-recurring expenditure on education, sanitation and medical relief. Sir Edward Baker<sup>1</sup> started famine reserves in the different Provinces. That policy has been further developed under the present financial regime. I would like to have another reserve in each Province for the purpose of meeting non-recurring expenditure on education, sanitation, and medical relief. What the Government may do is this; if you have a million and a half next year (taking the figure in the Budget Estimates), take half a million for your own purpose, but give the remaining million to the Local Governments, distributing it among them in accordance with some fixed principle of which I will speak later. Let the money thus given remain with the Local Governments. Again, in the year that follows, if a surplus is realized, let two-thirds of it be again added to the different Provincial reserves. When, after a time, the Provincial Governments find that they have built up reserves strong enough to take in hand a large programme of non-recurring expenditure, and when they feel that they have enough money to finance such a programme over a series of years, let them begin to carry out such a programme. By this method the wastefulness which is inevitable under the policy of doles will be prevented and the money allotted will be used most effectively. When the Provincial Governments have a considerable amount of money to their credit in this manner, they will feel sure of being able to finance certain schemes properly, till they are carried out. During that time, while they are engaged in carrying out these schemes, more money will be coming in from other surpluses, and thus they will be in a position to take in hand from time to time other schemes. It is only by thus enabling the Provincial Governments to have special reserves at their disposal and to spread their programmes over a series of years that the most useful and the most economical expenditure of the grants made to Local Governments can be ensured.

Sir, an unfortunate feature of the present policy, which needs special mention, is that a great deal of scramble goes on among the different Provincial Governments as to how to secure the largest share

1. see foot-note on p. 51.

Sir, my second point is that money is required for non-recurring expenditure in many directions in this country, specially for education, sanitation and medical relief. Schools have to be built and good water-supply in villages and drainage and water works in towns are needed all over the country, and we also want dispensaries and hospitals. These works will require not ten but hundreds of crores of rupees, and the problem could not be satisfactorily dealt with unless the Government made a large regular allotment for this purpose. The Government, however, is reluctant to make a large regular allotment out of current revenues. Therefore, I propose another method which, though not equally satisfactory, will be found to answer the requirements to some extent. I pointed out this morning that the excess of our normal revenue over expenditure, taking things as they stand at present, is about 4 millions or 6 crores of rupees. Now what I urge is that two-thirds of this surplus, as also of future surpluses, should be placed at the disposal of Provincial Governments for non-recurring expenditure on the objects I have mentioned. The present policy of making grants for one year only out of the surplus that accrues during that year is a wasteful policy. No one has condemned the policy of doles in stronger terms than the Hon'ble the Finance Member or the Hon'ble Sir James Meston.<sup>1</sup> The Decentralization Commission<sup>2</sup> also has expressed itself very strongly on the subject; in fact every one seems to be agreed on that point. And the present policy is nothing but a policy of doles. Whenever you have a large surplus, you feel bound to distribute a part of it among the Local Governments, so much to one, so much to another and so on. The result is that there is a great deal of waste. The Local Governments cannot rely upon a continuance of their good fortune, and therefore, they cannot take in hand any large scheme which requires financing over a series of years. This leads often to ineffective and wasteful expenditure, which no one really deplores more than the Local Governments themselves. The Government of India, on the other hand, can think only of a single surplus at a time, and therefore it is not surprising that it does not bind itself to make any further grant until another surplus is realised. Thus this policy of doles into which the Finance Department is again drifting—and I say this in spite of my great admiration for the manner in which the Hon'ble Member has been administering our finances during recent years—is a wasteful policy and it must therefore be altered.

#### Provincial Reserves for Expenditure on Nation-Building Departments

Now, Sir, the only way in which you can alter this policy is by adopting a scheme somewhat similar to what I have ventured to place

1. see foot-note on p. 162.

2. see foot-note 2 on p. 150.

to sanction special expenditure on particular institutions in the different Provinces, of which it cannot, in the circumstances of the case, know much, it is bound to lead to unsatisfactory results. After all the Local Governments are, speaking generally, the best qualified to decide what institutions in their Provinces need or deserve money most. Sir, the recent despatches of the Government of India and the Secretary of State on the administrative changes mention Provincial autonomy as being the goal towards which the Government in this country must advance. It is a momentous declaration. I do not want to enter on this occasion into the question which has already been raised in connection with it, namely, whether the expression signifies popular Provincial autonomy or only official Provincial autonomy. Whichever autonomy is meant, one thing is clear, that the Provinces are to be left more and more, under the general control of the Government of India, to administer their affairs themselves. If that is so generally, it must also be so in the matter of spending money. In placing, therefore, lump allotments to the credit of the various Provincial Governments, and allowing them to spend these allotments in such ways as they may deem fit, you will be only carrying out this policy. Sir, I therefore propose that two-thirds of next year's surplus should go to form a nucleus of Provincial reserves, and as fresh surpluses accrue, two-thirds of them should be added to these Provincial reserves. Sir, I move the Resolution which stands in my name.

[ *Replying on the debate which ensued, Gokhale spoke as follows :* ]

Sir, the Hon'ble Sir James Meston has opposed this Resolution, but I should like to hear his views on the same subject a year hence and in another place. The difference between the present arrangement and the arrangement that would come into force if my Resolution is adopted, is this. In the first place, the Government of India would be bound to allot two-thirds of its surpluses to Provincial Governments. There is no such obligation now; as a matter of fact, it is a mere matter of chance how much the Government gives to Provincial Governments or when it gives it to them. My view is that a surplus, being so much more money taken from the people, should be returned to the people either by reducing taxation, or by spending it on objects of public utility. And my suggestion is that the Government of India should be bound to return two-thirds of any surplus, that arises, to the people in the shape of allotments to Provinces for objects that I have already mentioned. Secondly, Sir, I should like to bind the Provincial Governments themselves in their turn to spend the sums which they receive on programmes of non-recurring expenditure connected with education, sanitation and medical relief. I

for themselves. In fact, one almost feels that the days prior to 1870, when the decentralization of our Provincial finance first began, are again returning in some respects. It is not the Province that has the greatest need that gets the most, but it is the Province that makes the most clamour, that manages somehow to be heard most, that gets most.

The Hon'ble Sir Guy Fleetwood Wilson: What about Bombay?

Gokhale: If the description applies to Bombay, let it apply. I have no knowledge on the subject.

But I say that this scramble is unfair all round and that is another argument against the present system.

Sir, if the Government adopted some fixed principle in accordance with which surpluses would be distributed among the different Provincial Governments, not only would this scramble cease, but it would also be one way of redressing those inequalities of Provincial finance to which my friend, the Hon'ble Pandit Madan Mohan Malaviya, drew attention this morning. It is true that we cannot now go in search of any new theoretical standards of equality in distributing the revenues of the country among the different Provinces. But so far as the distribution of surpluses is concerned, we are not committed to any old scales of expenditure, and the Government of India could very well make the distribution in accordance with some fair standard, say, rateably according to the revenues which are received by it from the different Provinces. That, I think, would be a very fair way of distributing the additional grants. Take, Sir, the Education Department, over which you<sup>1</sup> preside. I sincerely rejoice that more money has been found for education. But the Government sanctions so much money for an educational institution in one Province, so much for an institution in another Province; that does not appear to be a very satisfactory way of spending the amount. What the Government should do—and I am sure that is what the Education Department wants to do—is to have a comprehensive programme framed after considering the important needs of all the Provinces; and to carry out this programme, as funds are available, the Department should distribute any money that comes into its hands rateably or according to some other fixed principle. And the different Provincial Governments should then be left free to decide on what particular institutions they would spend the money. If the Government of India either in the Education Department or in any other Department takes it upon itself

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1. Sir Harcourt Butler who was in the chair.

to sanction special expenditure on particular institutions in the different Provinces, of which it cannot, in the circumstances of the case, know much, it is bound to lead to unsatisfactory results. After all the Local Governments are, speaking generally, the best qualified to decide what institutions in their Provinces need or deserve money most. Sir, the recent despatches of the Government of India and the Secretary of State on the administrative changes mention Provincial autonomy as being the goal towards which the Government in this country must advance. It is a momentous declaration. I do not want to enter on this occasion into the question which has already been raised in connection with it, namely, whether the expression signifies popular Provincial autonomy or only official Provincial autonomy. Whichever autonomy is meant, one thing is clear, that the Provinces are to be left more and more, under the general control of the Government of India, to administer their affairs themselves. If that is so generally, it must also be so in the matter of spending money. In placing, therefore, lump allotments to the credit of the various Provincial Governments, and allowing them to spend these allotments in such ways as they may deem fit, you will be only carrying out this policy. Sir, I therefore propose that two-thirds of next year's surplus should go to form a nucleus of Provincial reserves, and as fresh surpluses accrue, two-thirds of them should be added to these Provincial reserves. Sir, I move the Resolution which stands in my name.

*[Replying on the debate which ensued, Gokhale spoke as follows:]*

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think such an automatic arrangement will give Provincial Governments a greater sense of confidence as regards taking in hand definite important programmes which must be spread over a certain number of years. If special reserves were built up on the lines I have proposed, and if automatically two-thirds of our surpluses go into these reserves, the position of Local Governments in dealing with such programmes would be much stronger than it is at present. The Hon'ble Member asks, what would happen if there is no surplus in any one year? Well, there would be no addition to the reserves in that year, but the Provincial Governments will have started their programmes on the strength of what was already in their reserves, and so those programmes will not be interfered with.

I think my Hon'ble friend will have to admit that there is an important difference between what would happen if my proposal were adopted and things as they are under present arrangements. As regards what he said about the necessity of maintaining our credit high, well, they are old arguments which have been brought forward on the Government side again and again by him, by the present Finance Minister, by his predecessor Sir Edward Baker,<sup>1</sup> and by his predecessor Sir Edward Law<sup>1</sup>. We have discussed these points again and again, and though the Government has moved to a certain extent from its first position, it will have to move a good deal further before the controversy is over. After all, does anybody really contend that the credit of our country is high or low, according as a small unproductive debt is a few millions less or more? Can any one seriously argue that a debt of 40 millions for this country means higher credit than a debt of 50 millions? The Government of India have been borrowing at the same rate for the last twenty years or so. The last conversion scheme was, I believe, in the days of Sir David Barbour<sup>2</sup>, and there has been no conversion since then. If you have been borrowing at the same rate for the last twenty years, though recent surpluses have enabled you to reduce your unproductive debt considerably, I do not see how a little higher or a little lower debt makes any real difference to your credit. I can understand the argument, which I remember was used in this Council about twenty years ago or thereabout, by a Member of the Government for keeping the unproductive debt low. He said it was necessary to keep down the debt in order that the Government may be in a position to borrow again if a sudden emergency arose on the North-Western Frontier. That was at the time when Indian finance was dominated by the fear of a Russian invasion, and there was then a substantial reason for the policy of reducing the unproductive debt on every possible occasion. But

1. see foot-note on p. 76.

2. see foot-note 3 on p. 8.

that situation has been profoundly altered, and, with our unproductive debt standing as low as it does, to talk of the necessity of maintaining our credit high in connection with the use of our surpluses is to use, as I once said, Western formulæ, without taking into account the difference between Western and Eastern conditions. Unless the Government allots money out of surpluses to non-recurring expenditure on education and other objects, where is the money to come from? If you go to a Provincial Government, it says it has no money; the Government of India has the money, and I contend that it is its duty to make that money available to the country for the purposes which I have mentioned.

(The resolution was rejected, 13 voting for and 40 against.)

*Financial Discussion, 1912-13, Second Stage, 8th March 1912.*

### MR. DADABHOY'S CHANGED VIEWS

[On 8th March 1912, Sir Guy Fleetwood Wilson, the Vice-President, presiding, Mr. R. N. Mudholkar<sup>1</sup> moved a resolution recommending that the grant to Protective Works—Irrigation—be increased by fifty lakhs of rupees. Speaking on the resolution, Mr. Dadabhoi<sup>2</sup> said he was unable to support it. Gokhale's comment on this was as follows:]

Gokhale: Sir, I rise simply to congratulate the Hon'ble Mr. Dadabhoi on his conversion to the official view of things in this matter. The conversion is comparatively recent, because, Sir, I remember a debate which took place in this Council four years ago, in which my Hon'ble friend made precisely the same complaint about the policy of the Government that the Hon'ble Mr. Mudholkar has made today. Mr. Dadabhoi was then handled somewhat roughly by the Hon'ble Sir John Miller, as those who were present on the occasion may remember. This is what Mr. Dadabhoi said at the time:

When the Government is moved for an additional grant, sufficient to cover the accumulated arrears, the prayer is refused on the scores impracticability. The money could not be spent! That may be a satisfactory reason from the official point of view but is singularly unconvincing in view of the extra lavish expenditure, sanctioned for the Army and Public Works of at least doubtful utility and urgency.

1. Ranganath Narasinha Mudholkar (1857-1921), secretary, Berar Sarvajanic Sabha (1896-98); joined the Indian National Congress (1899); was General Secretary, Indian Industrial Conference from its very start and presided over its fourth session (1908); President, Indian National Congress (1912).

2. see foot-note 1 on p. 175.



## POLICE

[*Gokhale, in moving a Resolution recommending the reduction of the allotment to Police by one lakh of rupees, spoke as follows :*]

Sir, I beg to move

That this Council recommends to the Governor-General in Council that the allotment to Police (India General) for next year be reduced by one lakh of rupees.

On a reference to page 61 of the explanatory memorandum, the Council will see that the Imperial portion of police charges is shown there under three heads. One is India General, the second is Baluchistan and the third is North-West Frontier. Now, taking the budget and the revised figures for the current year, it will be seen that while the charges for Baluchistan and North-West Frontier have gone down, the revised figures being lower than the budget figures, the figure for India General has increased considerably. The explanatory paragraph appended to this head explains how the decreases against Baluchistan and North-West Frontier are only nominal; and as I do not raise any question about those entries, I will say nothing more about them. The entry against India General, on the other hand, shows an increase of Rs. 36,000 in the revised estimate over the budget estimate, but there is not a word of explanation in the explanatory paragraph about that increase. Now, Sir, my first query is, why is there no explanation given, and what is the explanation of the increase? Next, if the Council will look at the figures under this head for the last three years, namely, the accounts for 1910-11, the revised figures for 1911-12, and the budget figures for next year, it will be seen that there is a continuous increase in the charges. In the accounts of 1910-11, the charges were Rs. 8,45,000. Last year, the budget estimate of the current year was taken at Rs. 8,96,000, whereas the revised figure now laid before us stands at Rs. 9,32,000; while in the budget for next year the sum that is entered is Rs. 9,37,000. Thus the sum budgeted for next year is much larger than the actual for 1910-11. It is also much larger than that which was budgeted for last year, and is even slightly higher than the revised estimate for the current year. I should like to know why this item is showing an increase when the general policy of Government in regard to such charges is now one of retrenchment.

Then, Sir, I find from a return which was laid the other day on the table in reply to a question which I put about retrenchment that in the expenditure which the Home Department controls there is an item of 2.83 lakhs on account of the Central Criminal Investigation

Department. That is on the authority of the Hon'ble Mr. Wheeler, Acting Home Secretary, and the amount is given for the year 1910-1911. Now, if we turn to the actuals for 1910-1911, as given in this yellow book—the Finance and Revenue Accounts which is published annually—I find that the cost of the Central Criminal Investigation Department of the Government of India for 1910-1911 was 3.05 lakhs, and not 2.83 lakhs as shown in the return. I should like to have an explanation of this discrepancy; evidently something is left out in the return, or something is included in this yellow book which I cannot make out. I want, therefore, to know whether the Criminal Investigation Department charges of the Government of India are really 2.83 lakhs or 3.05 lakhs. Lastly, Sir,—and that is the principal point for which I have raised this discussion today—I want to know how much of this sum represents the cost of the Government of India Criminal Investigation Department in Provinces which have got Criminal Investigation Departments of their own. I speak necessarily at a disadvantage in this matter, because outside the department the general public knows very little as to the constitution of the Criminal Investigation Department. But it is a matter of common knowledge that the Government of India Criminal Investigation Department maintains officers and men of its own—a small number—in the different Provinces, which have got their own Criminal Investigation Departments. And I should like to know how the spheres of work of the two are differentiated. Of course, so far as the territories directly under the Government of India are concerned, they would be for the Government of India Criminal Investigation Department. So also in regard to the Native States, which are in direct relations with the Government of India. Finally, the expenditure that is incurred in watching men in foreign countries would also come under the Government of India expenditure. So much I think is clear; but in addition to this, I have heard on good authority that the Government of India Criminal Investigation Department maintains a few officers and men of its own, and does espionage work on its own account even in Provinces which have got their own full-fledged Criminal Investigation Departments, and I want to know why this is done. I find, Sir, that this has been a matter for repeated complaint on the part of several Local Governments, and the Decentralization Commission<sup>1</sup> in its Report notes this complaint. This is what the Commission says:

The Lieutenant-Governor of the United Provinces<sup>2</sup> complained of encroachment on the Provincial sphere of administration by the Director of Criminal Intelligence, and we have received similar complaints in other Provinces as to what was regarded as the undesirable activity of this officer.

1. see foot-note 2 on p. 150.

2. see foot-note 1 on p. 154

This year also, I gather from the newspapers that the Lieutenant-Governor of the United Provinces has complained in his Administration Report of constant friction between the Government of India Criminal Investigation Department and the Provincial Criminal Investigation Department. I should therefore like to know if such a duplication of machinery for espionage exists in the Provinces which have got their own Criminal Investigation Departments, and, if so, why the work is not altogether left to the Provincial Criminal Investigation Departments. Of course, as I have admitted, I speak more or less in the dark on this subject because the outside public knows very little about this Department. The only thing that people are sure about is that many of these Criminal Investigation Department men are a great nuisance to innocent people, and that they do their work not only without judgment but often without a regard to appearances or decency. I therefore strongly urge that if the Government of India maintain a Criminal Investigation Department of its own in the different Provinces this duplication should be abolished, and whatever saving results from it should be effected.

[ *Replying on the debate which ensued, Gokhale spoke as follows* ]

Sir, I would like to say just a word, and that is, that the Hon'ble Member has not told us why it is necessary to maintain a duplication of machinery for purposes of espionage in the Provinces which have their own Criminal Investigation Department for the work. He has also not told us what the Government of India has to say as regards the complaints which the Provincial Governments had been making on this subject. I quoted from the Decentralization Commission's Report an extract showing that the Lieutenant-Governor of the United Provinces complained even before the Commission that there was serious interference with the work of the Provincial Criminal Investigation Department by the Government of India Criminal Investigation Department, and this year again that Government has repeated that complaint. That being so I think some explanation is necessary as to why such a system which is complained of by Local Governments, should be maintained. However, as the Hon'ble Member the other day promised an inquiry into the whole question of the Criminal Investigation Department I do not wish for the present to press my Resolution.

( The resolution was withdrawn. )

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changes before the Hon'ble Member's return, because in the interval there will be a new election, and, while some of us may possibly not want to come back; the constituencies may not want to send some others back; and therefore it would not be inappropriate if we, non-official members, seek to give brief expression on the present occasion to the great admiration and the very high regard in which we hold Sir Guy Fleetwood Wilson. My Lord, with his mind saturated with the best traditions of English public life, of which he was a close observer for many years, the Hon'ble Member's presence in this Council has been simply invaluable to us at a time when our own tradition is slowly evolving here. We have never found Sir Guy Wilson wrapped up in official reserve. He has often presented new points of view to us, and he has himself been always anxious to enter into our feelings and our thoughts. And his delightful and high-minded courtesy has made it a pleasure to have anything to do with him. His great familiarity with the principles of Western finance has enabled him to manage our finances wisely and skilfully; and his attachment to the Gladstonian tradition of economy has left its impress on the administration of this country. In regard to our general affairs, too, it is well-known that Sir Guy Fleetwood Wilson's influence has been strongly on the side of popular progress. My Lord, the country needs men of his type in the Government—men of warm sympathies, of sturdy independence, and deep devotion to its truest and best interests; and once again I earnestly express the hope that Sir Guy will come back fully restored to health and will continue his services to India to the furthest limit of time to which they can be stretched.

### Adieu to Calcutta

My last word, my Lord, will be about this great and beautiful city. Speaking at the Calcutta Club the other day, your Lordship expressed the great regret with which you viewed the prospect of this city soon ceasing to be your winter headquarters in future. May we, non-official members of this Council, ask to be permitted to respectfully join in that regret? I say nothing on this occasion about the great, the momentous, changes which were announced by His Imperial Majesty the King-Emperor at Delhi. Looking into the future with the eye of faith and of hope, I do believe that these changes, whatever temporary inconvenience or dislocation they may occasion, will do good in the end both to the Province of Bengal and the country taken as a whole. But, whatever the future may hold in its womb, the thought that this Council, which has grown from the smallest beginnings to its present dimensions in this city, meets here today for the last time, is a thought that must make the heart heavy. My

Lord, it is not merely the infinite kindness and hospitality which we members, coming from other Provinces, have always received from the people of Calcutta, it is not merely the friends that we have made here, that we shall miss; it is the entire influence of Calcutta and all that Calcutta stands for that will now be lost to us. Some of us, My Lord, have been coming to this city now for many years—I for one have come here continuously now for eleven years—and we have learnt to feel the same enthusiasm for this wonderful land which the people of Bengal feel. Its waving fields, its noble streams, its rich and wonderful vegetation of every kind, throw on us now the same spell that the people of this Province experience, and the warm-heartedness of its society, its culture, its spiritual outlook on life, and the intensity of its national aspiration have produced a deep and abiding impression upon our lives. My Lord, we bid adieu to this city with profound regret, and with every good wish for its continued prosperity that the heart of man can frame. And we fervently trust that, great as has been its past, its future will be even greater.

### *Plea for Inquiry by Royal Commission into India's Finances<sup>1</sup>*

My Lord, I will now say a few words on the general state of our finances. We are, as everybody who knows anything about our finances knows, on the eve of a very considerable disturbance in our accepted standards both of revenue and expenditure. There is no question whatever that the financial position of the country, taken as a whole, is both sound and strong; but the fact that we are on the eve of this disturbance makes it necessary that there should be a careful and comprehensive examination of the whole position. On the one side, my Lord, our Opium revenue will soon be extinguished; on the other side, heavy and continuously increasing additions will be necessary to our expenditure on certain services, specially education and sanitation. Then, my Lord, I hope, I most earnestly hope, that our military expenditure, the burden of which we have so long borne patiently, and which is really far beyond our capacity to bear, will be materially lightened as a result of the labour on which Sir William Nicholson<sup>1</sup> and his Committee will soon enter. I therefore suggest that this is just the juncture when a comprehensive inquiry into the whole financial position may be undertaken by a strong Royal Commission. There are three outstanding features of the position. A top-heavy administration, much too costly for our resources, a crushing weight of military burdens, and a scheme of taxation which, though

1. *William Gustavus Nicholson*, (later Baron Nicholson of Rosndhay) (1845-1918), Adjutant-General in India, 1878-92; Governor of Gibraltar, 1905; Chairman of a Committee to inquire into Indian Army Expenditure, 1912.

not much more burdensome in its total incidence than in other countries, presses much more heavily on the poorer than on the middle and the upper classes of the community. These are the outstanding features of our financial position. India, it must always be borne in mind, is a very poor country, and the largest revenue that we can possibly raise must be small, judged by the standards of the West. The question, therefore, as to how to adjust our revenue to our growing requirements in certain directions is one of prime importance. My Lord, I, for one, shall be glad when our Opium revenue disappears, not only because I feel it to be a stain on us, but also because its presence in an uncertain state is very inconvenient from the standpoint of economy. The uncertainty that invests it is a great disturbing factor in our budget, and the large surpluses which it brings to the Government, however convenient they may be for certain purposes, cannot but be demoralizing in their effect on economy, because the strongest Finance Minister, with the utmost insistence that he can lay on rigid economy, cannot resist a certain amount of wasteful expenditure in the presence of such large surpluses. When the Opium revenue disappears—and I understand that it will not take long now before it disappears—we shall be in a position to know where exactly we stand, and then it is that certain questions will require to be taken into serious and careful consideration, so that a definite financial policy may be laid down for the country which should be adhered to in all essentials, independently of the particular views or inclinations of individual Finance Members. The questions that require specially to be considered are, how to re-adjust our old taxation so that its incidence should press less severely on certain classes—the poorest classes of the country; how to widen, if necessary, the present basis of taxation so that more money may be found for education, sanitation, and similar services; in what directions expenditure must be kept down, and in what directions expenditure must be increased. We want an enquiry into these things by a strong Commission so that the future may be shaped in accordance with a definite policy laid down, after taking a comprehensive view of the whole question. For instance, my Lord, I hold that we can raise a much larger revenue than we do at present from our Customs without its proving burdensome to any section of the community. The possibility of raising revenue from certain sources, which at present yield nothing, must also be publicly examined. Then there is the question of reducing the State demand on land, especially in raiyatwari tracts, and the extension of the permanent settlement to areas where it does not at present exist, subject to the condition that agricultural incomes above a certain minimum should be liable to pay the income-tax. There is also the

question as to how larger recurring grants for local bodies may be provided so that they should be better able than at present to perform their duties satisfactorily, and how provision may be made for steadily expanding allotments to education, sanitation, and medical relief. I therefore urge that when the Opium revenue is about to disappear, the occasion should be utilised to appoint a strong Royal Commission to consider the whole subject of the basis of taxation and the probable future course of our expenditure. One important reason why such an inquiry is necessary is the extreme rapidity with which the personnel of the Government changes in this country. A Finance Minister, or any other member of Government, holds office for only five years; he takes some time to make himself acquainted with the problems of his department or the state of things in the country, and by the time he is in a position to handle important questions well, the time also comes for him to think of leaving. If members of Government were to remain in this country after their retirement, the knowledge and experience which they acquired in their respective offices would still be available to us. What happens at present is that every successor has to begin not where his predecessor ended but his predecessor also began, and thus a large amount of most useful and necessary knowledge is repeatedly lost and has to be repeatedly acquired over and over again, with the result that we seem to be living more or less from hand to mouth and without a large settled policy adopted as a result of wide and thorough knowledge and ample discussion.

I, therefore, urge, my Lord, that when the Opium revenue is about to be extinguished, as we understand it will soon be, the Government should take steps to appoint a Royal Commission so that the whole financial position of the country may be carefully examined.

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## HOUSE ACCOMMODATION IN CANTONMENTS.

*[At a meeting of the Imperial Legislative Council held on Friday, the 14th February 1902, Lord Curzon, the Viceroy, presiding, the Council considered the Report of the Select Committee on the Bill to make better provision for securing house accommodation for officers in Cantonments. Mr. Pugh moved several amendments with the object of removing from the Bill any reference to the question of ownership of the land in Cantonments. All these amendments were accepted by Government. On the first of Mr. Pugh's amendments, Gokhale spoke as follows :]*

### No Strong Case for this Legislation

Your Excellency, as Government have been pleased to accept the amendment moved by the Hon'ble Mr. Pugh, I do not think it is necessary for me to say anything in support of it; but, if Your Excellency will bear with me, I will, following the example of my Hon'ble friend, Mr. Bilgrami<sup>1</sup>, make a few observations on the general character of the measure which the Council are invited to pass today. My Lord, it is true, that I have signed the Report of the Select Committee subject to dissent in one particular only; but I don't mind confessing that I regard all legislation of this nature with a considerable amount of misgiving. I am free to recognise that the Government have been by no means precipitate in proceeding with this measure, as it has been before the public, in one form or another, for nearly thirteen years. I also recognise that large and important modifications have been introduced into the Bill to soften the stringency of its original provisions, and now that Government have accepted the amendment of which the Hon'ble Mr. Pugh had given notice, I think they have done nearly all that lay in their power, short of dropping the Bill, to provide what have to be considered as reasonable safeguards to protect the legitimate interests of house-owners in cantonments. But, My Lord, when all this is admitted, and I make the admission most gratefully, the fact remains that legislation of so exceptional a character, interfering as it does with the normal freedom of contract between house-owners and tenants, can be justified only on grounds of the strongest necessity; and there is ample evidence in the opinions and memorials laid before the Select Committee to show that in the case of a large number of cantonments such necessity does not exist. In these cantonments no difficulty has

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1. Director of Public Instruction, Hyderabad State (1887-1902); member, Imperial Legislative Council; member, Council of India, (1907-09).



been experienced in the past in the matter of obtaining house-accommodation for military officers, the number of bungalows available being largely in excess of military requirements, and a certain proportion of these bungalows remaining, as a matter of fact, vacant from year to year. Poona is a typical instance of this class of cantonments. It has been estimated that the number of military officers requiring house-accommodation in Poona is about 160; while the number of bungalows in Military lines is over 200. Now all these 160 officers do not take a house each. The younger officers generally prefer chumming, three or four in a house. A considerable number reside in the Western India Club and in hotels, and a few live even in Civil lines. The result is that every year a certain number of houses remain without tenants. It may be urged that it is not intended to put the proposed enactment into operation at once in all cantonments throughout India. That is true, but as soon as the Bill is passed the matter gets out of the hands of the Legislature, and then it is all a question of the discretion of Government in their executive capacity, which, it will be admitted, is quite a different thing. I do not say that this discretion will not, as a rule, be wisely exercised, but it is conceivable that a Local Government may not always be able to withstand the pressure of the military authorities, who would naturally not be reluctant to be armed with the drastic powers which this Bill vests in them, when once the Act is extended to a cantonment. And I think there is reason to fear that the operation of this enactment, with all the safeguards it contains, is likely to prove in practice more or less prejudicial to the interests of house-owners. The Legislature, My Lord, may make the letter of the law as severely impartial as it can. The law itself has to be enforced through the medium of human beings, who are not free from prejudice. And in the present case it will be worked by military men, who are so accustomed to prompt and unquestioning obedience that they are often not likely to trouble themselves much about nice points of law in enforcing their wishes.

### Arbitration Committees No Satisfactory Safeguard

The Bill provides for referring all important matters of disagreement between house-owners and tenants to Committees of Arbitration. It remains to be seen how far the safeguard of these committees proves to be effective in practice. Past experience of these bodies in cantonments is not very encouraging. On this point I need quote no other testimony than that of the Hon'ble Mr. Hardy, who has described his experience of these committees in the following terms: 'I have been a member on these committees, and I am bound to say I thought their tendency was to be hard on the house-owner.' Let ush ope

that the Arbitration Committees that will be constituted under the proposed enactment will give greater satisfaction. In one respect the Bill is certain to cause loss to house-owners. Where a non-military tenant is ejected in favour of a military tenant under the coercive clauses of the Bill, the house is sure to be shunned by non-military tenants after that, and so, if at any time the house-owner fails to get a military tenant for it, it is likely to remain without a tenant. I have made these observations to emphasize respectfully the great need there is for exhausting all ordinary remedies before resorting to the somewhat violent disturbance of the normal relations between house-owners and tenants which this Bill authorizes, especially in the case of those cantonments in which the inconvenience complained of in the preamble of the Bill<sup>1</sup> has not assumed serious dimensions and where the requirements of the Military are of a fixed character. I believe in such cantonments Government might, with advantage, try the plan of selecting themselves the required number of bungalows once for all, and requiring their officers to occupy them for fixed rents. Such an arrangement, I submit, will be more equitable than that contemplated in the Bill, because there will be a reciprocity of obligations under it. For if house-owners will be thereby required to place their bungalows at the disposal of military officers, these latter, in their turn, will be bound to occupy them; and the chances of friction between house-owners and military officers will be minimised. Of course, where the evil mentioned in the preamble has grown so serious that such a simple plan will not be practicable the proposed enactment will have to be enforced, for no one can question the fact, that cantonments exist primarily for the accommodation of military men and they must fulfil that purpose under any circumstances. But in regard to these cantonments, *i. e.*, where it will be found necessary to enforce the new law, I would venture to make one suggestion, and that is, that Government should publish every year a statement showing the number of cases in which the coercive clauses of the Bill have been enforced during the year. I think the mere fact that such a return will have to go up to Government will tend to sober the excess of zeal on the part of cantonment authorities and will prove a salutary addition to the safeguards which have been already provided in the Bill. My Lord, it was not possible for me to bring up these suggestions in the shape of amendments, and I thought I might submit them to the consideration of Government in the course of this discussion.

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1. The preamble said that in spite of the existing regulations in respect of Cantonments, difficulties had frequently been experienced in obtaining house accommodation for military officers.

## CO-OPERATIVE CREDIT SOCIETIES

[ *At a meeting of the Imperial Legislative Council, held on Wednesday the 23rd March 1904, Lord Curzon, the Viceroy, presiding, Sir Denzil Ibbetson<sup>1</sup> moved that the Bill to provide for the constitution and control of Co-operative Credit Societies, as amended, be passed. Gokhale supported the motion in the following speech :* ]

My Lord, after the continuous opposition which it has fallen to my lot to offer to two important measures<sup>2</sup> of Government during this session, it is both a pleasure and a relief to me to find myself in a position to give my cordial and unequivocal support to the present Bill. The proposed legislation is no doubt only a modest measure, so far as its provisions go. But it authorizes a cautious and interesting experiment, which, if it attains any degree of success, cannot fail to exercise a wide and far-reaching influence, especially on the condition of the agricultural classes in India. My Lord, in the growing indebtedness of the Indian agriculturist and the steady deterioration of his general position, the Government of India is called upon to face one of the gravest problems that can confront a civilized administration. The difficulties of the situation are enormous and they can be overcome, if they are overcome at all, only by a long course of remedial action, wisely determined, sympathetically undertaken and steadily and patiently adhered to in spite of discouragement and even temporary failure. Such action must include a series of cautious measures, intended both to bring him help and relief from outside, and to evoke or strengthen in him those qualities of prudence, thrift, self-reliance and resourcefulness, without which outside help can do him no great or permanent good. The present Bill is a measure of the latter kind, and though no one can say how far it will prove successful, its operation will be watched by every one interested in the future of the country with deep interest and in a spirit of hope.

My Lord, in a matter of this kind the function of the Legislature must be confined only to the removal of any special obstacles that may stand in the way. When that is done, the success of the experiment must depend almost entirely upon executive action and the spirit in which and the extent to which the classes concerned and those who are interested in their welfare come forward to co-operate with the

1. Sir Denzil Ibbetson (1847-1903), Chief Commissioner, C. P. (1893) ; member, Viceroy's Executive Council (1902-07) ; Lt.-Governor, Punjab (1907-08).

2 These were (1) Indian Official Secrets (Amendment) Bill and (2) the Indian Universities Bill.

Government. For this reason the present Bill cannot be considered apart from the line of practical action which it is proposed to take when the Bill becomes law. This line has been indicated with sufficient fulness in the two luminous speeches made by the Hon'ble Member in charge of the Bill since the introduction of this measure. And the few remarks which I propose now to offer have reference both to the provisions of the Bill, and to the executive measures outlined by the Hon'ble Member to give effect to those provisions.

My Lord, the measure as amended in Select Committee is a considerable improvement on the original Bill, and will no doubt work better in practice. However, the general scheme formulated appears to me to be incomplete in important particulars. To these I beg leave to draw the attention of the Government in the hope that the bounds of executive action will be so enlarged as to place the success of the proposed measure beyond reasonable doubt.

#### Liquidation of Existing Debts Necessary Pre-Condition for Success

My Lord, the first thing that strikes me on a consideration of the whole question is that there is no provision in the proposed scheme for a preliminary liquidation of the existing debts of those who wish to avail themselves of the opportunity, now offered, to improve their position. In making this observation and those which follow, I have in view the condition of the agricultural population only, and I look upon the Bill, though its provisions may be availed of by non-agriculturists, as one intended specially for the benefit of the agricultural community. It is true that the Bill aims merely at organizing on a co-operative basis the credit of these classes, but such organization, if it is to benefit any considerable proportion of the agriculturists, must be preceded by a liquidation of existing usurious debts. Speaking with special reference to the Bombay Presidency, I may say that our agriculturists may be roughly divided into three classes: (1) Those who are yet free from debt. These, I believe, form a small proportion of the total number. (2) Those who have already got into debt, but not to such an extent as to be hopelessly involved and who are making honest efforts to keep their heads above water. These, I believe, constitute a considerable proportion of the agricultural population. And (3) those who are so heavily indebted as to be hopelessly involved. These, I fear, are a very large class. Of these three classes, I don't expect that many members of the first class will, for the present at any rate, care to join the proposed societies as the principle of unlimited liability is sure to frighten them; while the third and last class is beyond the reach of such remedial action as the Bill contemplates. The men, therefore, who will principally form these societies, if the

proposed measure attains any degree of success, are those that belong to the second class, namely, those who have already got into debt but whose position has not yet become hopeless and who are, moreover, making honest attempts to save themselves from prospective ruin. These men, however, have not much credit left free to be brought into the co-operative organization and, unless they are helped to effect a clearance of existing liabilities on reasonable terms, no new banking organisation created for their benefit, whether it takes the form of agricultural banks or of co-operative credit societies, can prove of much help to them. The need for such preliminary liquidation was recognized by the Government of India in 1884 in the following terms: 'Improvvidence of cultivators and uncertainty of seasons are elements which are liable to interfere with a bank's success, and these difficulties might be met by prudent management; yet the bank could not hope to succeed unless it could start in a field where the agricultural classes were unencumbered with debt or were enabled to liquidate their existing debts on reasonable terms.' Such a liquidation was carried out in Germany and elsewhere through the agency of special banks and the ground was cleared for the operation of the new banking organizations. The resources of the proposed societies will be extremely limited, and it is out of the question that they can by themselves find the funds necessary for such liquidation. The Government must come to their help in this matter and, if such help is not offered, the proposed experiment will have but small chance of proving successful.

### Unlimited Liability A Possible Deterrent

Section 7 lays down for rural societies the principle of unlimited liability except in special cases. Responsibility for *pro rata* contributions to the repayment of a society's debts would be a desirable limitation on the liability of members, as is allowed in the German Law of 1889. Unlimited liability no doubt strengthens the position of the societies greatly in the money-market; but it is a principle which our ralyats in many parts of rural India can scarcely be made to understand. Each member to be liable in all his property for his society's debts—this is to them an entirely foreign idea, and in most parts, it is to be feared, would deter people from joining such associations. Responsibility in equal shares on the common partnership principle may be better appreciated and would be enough for a start. In Germany, the principle of unlimited liability is an old time-honoured economic tradition, and works admirably. It is the keystone of Schulze and Raiffeisen societies. Elsewhere, in Italy and other countries, it has had to be acclimatized with immense toil. In India, where every such thing is new, I fear it will be a mistake to aim at too much at the start.

Insistence on such a principle would keep away from the new societies those very classes whose help and co-operation would be indispensable.

### The Problem of Funds

As regards funds, the societies are allowed to receive deposits from their members, and borrow from outsiders. No other financial resource is provided for. This to my mind is the weakest part of the scheme. Even in European countries, such popular banks (*e. g.*, the Schulze-Raiffeisen and Luzzatti-Wollemberg Societies) do not depend exclusively on deposits and loans. In India, as regards deposits, looking to the condition of economic exhaustion and material resourcelessness which at present prevails in the rural parts, such deposits from those who might join these societies cannot be expected to flow in either fast or in any large volume. The associations would be mainly and for years more or less borrowing associations. As to loans it is somewhat surprising to find that the Bill allows the credit societies to borrow from 'persons who are not members' though, of course, under restrictions. The money-lender thus comes in and there is no guarantee that he will not exact usurious interest. Besides, where protracted periods of misfortune intervene, like the past decade in the Dekkhan, there is present the risk of these societies getting into the clutches of the money-lender just as individual raiyats now do. The risk may be obviated and the financial position of the new societies improved in two distinct ways, as is done in European countries. First, these rural societies should not be left to shift for themselves as best they could, as isolated units, but might be allowed to be federated into unions for mutual support and help, and these unions linked to a Central Bank, which might serve as an intermediary between them and the money-market and also help to equalize funds by lending the surplus of some to meet the needs of others. Each District might have a Central Bank of this nature to which the rural unions would be affiliated on a joint stock basis and to serve as a focus of business. Further, these District Central Banks might be linked on to the Presidency Banks, one for each Presidency or Province. Some such scheme of filiation might materially help these societies and to a large extent remove the difficulty of financing them. However, I fear the realization of such a scheme must be the work of time and must be preceded by the proposed societies attaining in their own places a certain measure of success, however limited it may be. But there is another resource, which might be made available to these societies without any difficulty, and it is that these societies might be allowed to have each a savings bank attached to it, as is done in Germany and Italy. They would thereby be able to draw together small savings within their territorial limits and utilize them for productive use. At present no

facilities practically exist in our villages for the deposit of savings. The total number of villages in British territory in India is over 5½ lakhs, while the savings banks (head and sub-banks) number only 7,075; and the total number of depositors is nearly a million, of whom only about fifteen thousand are agriculturists—not even 2 per cent. So it would be a great help to the rural classes and meet a *felt* want if these societies were allowed under the new scheme to have each a savings bank of its own, operating, of course, within its own territorial limits. These savings banks would thus serve a double purpose: (1) The rural classes will have facilities for the deposit of their little savings, where practically none exist at present. This would encourage thrift. (2) The credit societies will have a new source of financial aid placed within their reach on a commercial and safe basis. Indirectly, too, the better-to-do classes, who might not join the new associations, would, if they were to deposit their savings with these societies, help them most materially.

#### *Absence of Summary Procedure for Debt Recovery Deplored*

The absence of some summary procedure to recover the debts due to the societies is also likely to interfere with the success of the societies. I admit the full force of the observations made by the Hon'ble Sir Denzil Ibbetson on this point. It seems to me, however, that on the whole the balance of considerations lies on the side of providing some such procedure, or at any rate some special machinery of arbitration. Section 26 provides for a summary recovery of debts due to Government. But the societies must go to the Courts and bear the expense and delays of such procedure. I think some summary procedure is necessary, and special Courts might be organized for the adjudication of such claims.

In conclusion, I entirely approve the idea of trying the proposed experiment first in a very few selected localities only. So much depends upon the success of this experiment that every care must be taken to try it in the most favourable circumstances. The sympathy of local officers will of course be available to the full, but the Government will further have to offer very liberal financial assistance, at any rate in the earlier years of the experiment. Public confidence in the success or practicability of a new organization is unfortunately slow to grow in a country where the people have for long centuries been accustomed to look for everything to Government and private initiative seems to be almost paralysed. But when once such confidence springs up, it is not lightly shaken. Very great responsibility, therefore, will rest on those who are entrusted with the task of supervising the first experiment, and I earnestly trust, My Lord, that no possible effort will be spared to make that experiment as complete a success as is, in existing circumstances, possible.

Insistence on such a principle would keep away from the new societies those very classes whose help and co-operation would be indispensable.

### The Problem of Funds

As regards funds, the societies are allowed to receive deposits from their members, and borrow from outsiders. No other financial resource is provided for. This to my mind is the weakest part of the scheme. Even in European countries, such popular banks (*e. g.*, the Schulze-Raiffeisen and Luzzatti-Wollemberg Societies) do not depend exclusively on deposits and loans. In India, as regards deposits, looking to the condition of economic exhaustion and material resourcelessness which at present prevails in the rural parts, such deposits from those who might join these societies cannot be expected to flow in either fast or in any large volume. The associations would be mainly and for years more or less borrowing associations. As to loans it is somewhat surprising to find that the Bill allows the credit societies to borrow from 'persons who are not members' though, of course, under restrictions. The money-lender thus comes in and there is no guarantee that he will not exact usurious interest. Besides, where protracted periods of misfortune intervene, like the past decade in the Dekkhan, there is present the risk of these societies getting into the clutches of the money-lender just as individual raiyats now do. The risk may be obviated and the financial position of the new societies improved in two distinct ways, as is done in European countries. First, these rural societies should not be left to shift for themselves as best they could, as isolated units, but might be allowed to be federated into unions for mutual support and help, and these unions linked to a Central Bank, which might serve as an intermediary between them and the money-market and also help to equalize funds by lending the surplus of some to meet the needs of others. Each District might have a Central Bank of this nature to which the rural unions would be affiliated on a joint stock basis and to serve as a focus of business. Further, these District Central Banks might be linked on to the Presidency Banks, one for each Presidency or Province. Some such scheme of filiation might materially help these societies and to a large extent remove the difficulty of financing them. However, I fear the realization of such a scheme must be the work of time and must be preceded by the proposed societies attaining in their own places a certain measure of success, however limited it may be. But there is another resource, which might be made available to these societies without any difficulty, and it is that these societies might be allowed to have each a savings bank attached to it, as is done in Germany and Italy. They would thereby be able to draw together small savings within their territorial limits and utilize them for productive use. At present no



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### Manager's Absolute Power regarding Compensation Opposed

My Lord, as I have stated in my minute of dissent, I am in sympathy with the general principles of the Bill, and I should have been glad to give a silent vote in support of the measure, but for the fact that one or two of the provisions of the Bill are open to serious objection and will in my opinion be productive of injustice in practical operation. The Council must have seen by this time that one important change that the Bill proposes to make is where it empowers the manager to disturb even old leases either by revision or cancellation. I say nothing about the policy of re-opening the leases. If it is necessary, in order to secure effectively the objects of the old Act, to disturb these leases, by all means let the manager have that power. But the Legislature should see that in giving this power it does not empower the manager to inflict injustice on an innocent party. It is admitted by the Hon'ble Member<sup>1</sup> in charge of the Bill that some of the lessees who might be dealt with under this provision are likely to be agriculturists. And I would submit to the Council that where a lease has been obtained bona fide or where it has been obtained by a man who is not a money-lender, there no case whatsoever has been made out for closing to him the Civil Courts in regard to the compensation to which he may be justly entitled. The Hinda Sabha has given instances where the manager set aside two leases—one obtained for Rs. 21,000 and the other for something like Rs. 60,000. In each case the manager declined to pay compensation for cancelling the lease, but in each case resort to the Civil Courts resulted in compensation being awarded. This shows the danger of making the manager the sole master of the situation which it is now proposed to do, as the Bill leaves the question of compensation practically entirely to the manager.

The object of my amendment is two-fold. First, to secure that where an old lease has been set aside by the manager, compensation which is not merely equitable in his opinion, but which is reasonable in the circumstances, shall be paid to the lessee. Secondly, if there is a dispute as to whether reasonable compensation has been offered or not, the Civil Courts shall not be closed to the aggrieved party. My Lord, I submit that this proposal to leave everything to the manager is not justified. It is true that the manager is an officer of Government. All the same he is in the position of an interested party. He is expected to free these estates from incumbrances and naturally his bias must be against the money-lenders or others who may have claims on the property. I do not say that he would

1. see foot-note on p. 271.

## SINDH INCUMBERED ESTATES

[Under the Sindh Incumbered Estates Act, 1896, a Jagardar or Zemundar, whose estates were burdened with debt, could apply to the Commissioner, who, on inquiry, might appoint an officer to manage the estate, and to arrange for the liquidation of its debts. The manager could inquire into the history and merits of the different claims against the estate, determine the amount justly due under each, and fix the order in which they should be paid. If any part of the property had been leased out, and the terms of the lease appeared to the manager to be inequitable, he could either set aside the lease or order the lessee to pay such further consideration as he deemed fit.]

A Bill to amend the Sindh Incumbered Estates Act, 1896, which had been introduced earlier, was, with the report of the Select Committee on it, taken into consideration at a meeting of the Imperial Legislative Council, held on Saturday, the 17th February 1906, Lord Minto, the Viceroy, presiding. The Bill proposed, inter alia, to add the following to section 22, regarding cancellation of a lease :

"(2) Whenever the Manager sets aside or cancels a lease ... he shall ... award to the lessee such compensation, if any, as may appear to the Manager to be equitable in the circumstances and ... no compensation in excess of the amount ... shall be recoverable by the lessee in a Civil Court or otherwise.

(3) Any (such) compensation awarded by the Manager ... shall rank in priority to all other debts and liabilities other than debts or liabilities due ... to Government.

(4) If any lessee whose lease has been so set aside or cancelled refuses ... to give up possession when required to do so by the Manager, the Manager may, without resorting to a Civil Court, enter upon the property and summarily evict therefrom the said lessee ..."

Gokhale moved two amendments to these provisions. By the first, he proposed that in sub-section (2), instead of 'as may appear etc. ... Civil Court or otherwise', the words 'as may be equitable in the circumstances' be substituted; and by the second, he proposed, in sub-section (4), to insert the following between 'cancelled' and 'refuses', viz. 'and to whom any compensation awarded has been paid or offered'.

In moving the first of these amendments, he spoke as follows: ]

be consciously unfair; but his bias may lead him to take a view of the situation involving serious injustice to a lessee. The only argument that I have heard in favour of the proposed provision is that the Civil Courts take a long time in settling disputes. It is said that, if the manager has to wait for their decision before taking effective steps to free an estate from incumbrances, then he would have to wait a very long time indeed. I think this objection will be met by what I have proposed in my two amendments. If it is provided that the manager should offer what he thinks fair compensation, leaving it to the other party, the lessee, to accept or refuse it, and to go to Court if he refused it—if this is done and then the power of eviction is vested in the manager after such compensation is offered, the manager would be able to take the estate into immediate possession and the question of compensation will have to be fought out in the Law Courts.

One advantage of leaving the Courts open will be to give a due sense of responsibility to the manager. If he knows that his action is liable to be challenged in a Court of Law, that in itself will make him hesitate before he offers compensation which is wholly inadequate. I really do not understand why the Government should show such a want of confidence in their own Civil Courts. It is a general feeling that there has been a tendency of late for the executive to encroach upon the province of the judiciary, and I regret that this provision to which I have taken exception is likely to emphasize this impression. The policy of Government in dealing with agricultural indebtedness by means of legislation is also already regarded with a certain amount of prejudice by the people, and this prejudice is likely to be still further aggravated by provisions such as this, which in practice will, without doubt, result in injustice and confiscation.

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[ *By way of reply to the debate on his amendment, Gokhale spoke as follows :* ]

My Lord, I wish to say a word or two by way of reply. The Hon'ble Sir Denzil Ibbetson seems to claim for the manager and for executive officers generally a degree of perfection with which we are not familiar in ordinary human beings. The manager, in dealing with these estates, is undoubtedly in the position of an interested party. The Government has appointed him to free certain encumbered estates. He has to submit annual returns to satisfy the Government that has appointed him that he has done so much work and freed so many estates. Naturally his bias would be against lessees, as his object would be to free estates as soon as possible. No one wants to say that

the manager would be unfair deliberately, but what I wish to urge is that in spite of a desire to be just and fair he might take steps, or he might arrive at conclusions, which would involve grave injustice to innocent parties. My contention is that even if in one case injustice is perpetuated by the manager with the authority of the law, the legislature is not justified in putting such power into the hands of the manager. The Hon'ble Mr. Logan has told the Council that I have followed the Hindu Sabha in saying that suits brought against the manager by money-lenders are invariably won by the latter. Now I never made any such statement, and I don't know what is his authority for attributing it to me. My contention throughout has been that in the majority of cases the action of the manager may perhaps be correct, but that does not justify his being entrusted with powers which practically make him the master of the situation.

As regards the percentage of profits and the turn-over of capital regarding which Mr. Logan has made some remarks, I really am not in a position to say anything, but it strikes me that the cases which he spoke of must be absolutely exceptional, where a profit of 300 to 800 per cent. is made. Cases of that kind must be absolutely exceptional or the zamindars of Sindh must be more imbecile than children. I think that on the strength of such exceptional cases the legislature is not justified in putting such absolute powers into the hands of the manager.

( The motion was put and negatived. )

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*{ In moving his second amendment, Gokhale spoke as follows : }*

The object of this amendment is this. The manager sets aside an old lease and he awards a certain compensation to the lessee. The compensation is not actually paid, but the manager merely enters the amount in the list which he keeps in his office; and on the mere strength of his having set down this amount against the money-lender or lessee, he proceeds to evict the lessee and take possession of the estate, which up to that time was in the possession of the lessee. Now this is very hard on the lessee. I recognize that the Select Committee have to a certain extent modified the provisions of the Bill as originally drafted, in this respect, and as far as it goes, the modification is an improvement. As the Bill was originally drafted, there was no provision as to when this compensation may be paid. The Select

Committee have given this compensation precedence over all liabilities except the liabilities due to Government. To that extent I think the Select Committee have improved the original Bill. But this does not go far enough. The Hindu Sabha has pointed out that there have been numerous cases where claims have been awarded, but not paid. The amount has been fixed, but though it is several years, it has not been paid and no interest is allowed. We are also told that the manager often finds it difficult to raise loans. I may point out that when the amount of compensation has been settled, it is to the advantage of the estate that the payment of this amount should be postponed as long as possible. If the manager had to pay interest, he would pay the amount as soon as possible, because otherwise interest charges would accrue. But since he is not bound to pay interest, it is to the advantage of the estate that the payment to be made should be postponed as far as possible. Now this is most unjust. A lessee may have invested his all in securing a lease. Such cases may be very few, but that does not affect my argument. He may have enjoyed the lease, or his children may have done so, for a number of years. Suddenly the manager comes in, sets aside the lease and puts down a certain sum in his list as due by way of compensation, and proceeds to evict. What are these people to do? On what are they to live since they have invested their all in securing the lease? Cases of this kind are likely to occur, and it does not seem to me to be right that the legislature should arm the manager with powers to inflict such injustice.

My object, moreover, in moving this amendment is larger than this. I want to raise the question of the policy of Government in regard to this matter. The question of agricultural indebtedness has been hitherto sought to be dealt with by the Government by a mere turn of the legislative screw only. The Government in the past have carefully shrunk from accepting any money responsibility. I think this is not the proper way of proceeding to deal with the question. Local Governments have repeatedly urged upon the Government of India the necessity of their advancing money in order that liquidation schemes may be taken in hand and pushed on. If you leave managers to raise money in the open market for the purpose, then it is merely a choice of exchanging one set of creditors for another set of creditors. I have looked up the proceedings of this Council when the Act of 1896 was passed and when the financial policy of the Government of India on this subject was enunciated by Sir James Westland<sup>1</sup>. It must,

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1. see footnote 2 on p. 31

however, be remembered that the finances of the Government were not in such a prosperous condition in those days, and therefore any enunciation of the policy of the Government made in those days need not hold good today. Sir James Westland remarked that it was quite true that the Government could borrow at  $3\frac{1}{2}$  per cent. and advance at 5 per cent., and this would be not only to the interest of the estate which could not borrow at 5 per cent. in the open market, but it would also be to the interest of the Government, because the Government would be making a profit. But he said that the Government would in that case be entering the money-market in competition with private money-lenders, and thereby inflicting unjustifiable injury on the latter. It would thus seem that a tender solicitude for the interests of the money-lender, who otherwise has always been treated as if he was beyond the pale of civilized society, is at the bottom of the policy of Government. But if the money-lender does not deserve sympathy, what does it matter to the Government whether he has a prosperous business in any particular locality or not? I do not see why his interests should stand in the way of a proposal which in every respect is admitted to be a beneficial one. It must be remembered that the Local Governments — notably the Government of Bombay — have always been in favour of the policy I am urging. If the Government revises its present policy and loans are raised by the Government specially for the purpose of freeing incumbered estates, then all these difficulties will disappear. A compensation that is thought fair may at once then be offered and paid to the lessee, and then there would be no grievance so far as his eviction was concerned.

I understand that the Finance Department has always strenuously resisted the adoption of such a policy and it may be urged by the Finance Minister that the borrowing powers of Government are limited, and whatever loans can be raised are required for railways and other public works. Now, in the first place, there is nothing to prevent the Government of India from approaching the authorities in England for increased borrowing powers; and, secondly, the surpluses which the Government may have as in recent years might be earmarked for the relief of agricultural indebtedness. During the last seven years the surpluses have amounted to over thirty millions, and these surpluses have been almost exclusively devoted to the extension of railways. If a considerable portion of this money had been set aside for the relief of agricultural indebtedness, a great deal of good work might have been done. However, there is no use in talking about the past, but there is nothing to prevent the Government in earmarking such amounts in future. The Finance Department, it may be remarked, need not after all be the whole Government of India, and if the Government will



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1. see foot note 2 on p. 35.

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1. see foot note 2 on p 56.

advance money at 5 per cent. and thereby disturb the business of the money-lenders.

As regards the borrowing powers of the Government, I have always understood that there was a limit imposed upon the annual borrowing powers of the Government of India. I remember having read the report of a Parliamentary Committee appointed more than twenty years ago, of which, if I remember right, Lord George Hamilton was Chairman. That Committee made some recommendations, and the restrictions then imposed, I thought, held good today. If there is no limit, there need be no difficulty in borrowing more than the usual loan for public works, because the credit of the Government of India is as good as that of any Government in the world.

The question is this: Is the question of dealing with agricultural indebtedness as important as the necessity of extending railways or dealing with frontier difficulties, and similar questions? The Government freely borrows for these latter purposes. To my mind borrowing for the relief of agricultural indebtedness is a necessity as great as any of these. The whole policy of the Government in this matter has got to be revised and placed on a larger basis. I quite admit that it would not be possible to discuss such a policy in all its bearings when a small Bill like this dealing with a particular province is under discussion. I have only thrown out a suggestion, and notwithstanding the remarks of the Hon'ble Mr. Baker, I venture to hope that it will engage the attention of Government at an early date.

( The amendment was put and negatived. )

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thus be seen that but for the introduction of indentured Indians into Natal, there would have been no Indian problem in that sub-continent today. Now, my Lord, my own view of this system of indentured labour is that it should be abolished altogether. It is true that it is not actual slavery, but I fear in practice in a large number of cases it cannot be far removed from it. To take from this country helpless men and women to a distant land, to assign them there to employers in whose choice they have no voice and of whose language, customs, social usages and special civilisation they are entirely ignorant, and to make them work there under a law which they do not understand and which treats their simplest and most natural attempts to escape ill-treatment as criminal offences—such a system, by whatever name it may be called, must really border on the servile. I strongly hold therefore that the system should be done away with altogether. This is also the view which the entire Indian community throughout South Africa takes of the matter, as may be seen from several petitions addressed by them from time to time to the authorities on the subject. But it is not merely on its own account that I advocate the abolition of this system. I also advocate it because this continued influx of indentured labour into South Africa and the consequent inevitable annual additions to the ranks of the ex-indentured tend steadily to lower the whole position of the free Indian population. The feeling of contempt with which the indentured Indian is generally regarded comes to extend itself not only to the ex-indentured but even to traders and other Indians of independent means. The struggle of free Indians to maintain themselves becomes more and more acute by these constant additions and the whole community feels an intolerable and continuously increasing economic burden placed upon its shoulders. I therefore urge the total abolition of this system of indentured labour. I may, however, be told that this is an extreme view to take, and that though circumstances may arise which may lead the Government of India to prohibit altogether the supply of indentured labour to Natal, for the present it would be a more prudent course to utilise Natal's need for securing an improvement in the treatment meted out to Indians in South Africa generally and in Natal in particular. Now, My Lord, though this is not the highest view to take of the matter, I am prepared to recognise that from a practical standpoint there is a good deal to be said in its favour. The position of Indians in South Africa which has gone from bad to worse during the last fifteen years has now grown absolutely intolerable, and in any remedy therefore which the Government can apply to the situation it is entitled to the strong and hearty support of the people of this country.

## INDENTURED LABOUR FOR NATAL

[ On Friday, 25th February 1910, Lord Minto, the Viceroy, presiding, Gokhale moved the following resolution in the Imperial Legislative Council :

That this Council recommends that the Governor General in Council should be empowered to prohibit the recruitment of indentured labour in British India for the colony of Natal.

*In moving the resolution, he said : ]*

### Indentured Labour is Near-Slavery

My Lord, I must at the outset express my deep sense of the manner in which the Government has afforded facilities for today's debate. It is a matter of some significance that the first exercise of the new privilege of moving resolutions in this Council should be in respect of a question which has not only roused intense feeling among all classes of His Majesty's subjects in India, but in regard to which the Government of India itself is understood to be of one mind with the people. That being so, I think it is not too much to hope that my motion will be accepted by the Council and that the Government will thus place itself at the head of what is undoubtedly the universal sentiment in the matter throughout the country.

My Lord, my object in raising this debate today is twofold : first, to call the attention of the Council to the position of British Indians in South Africa, and secondly, to strengthen the hands of the Government of India in applying a remedy to the situation to the extent to which a remedy can be applied. I think the first thing to realize in this matter is the fact that the whole of the Indian problem in South Africa has arisen out of the supply of indentured labour to Natal. The Indian population in South Africa may be divided into three classes : (1) Those who are under indenture. This class is of course confined to Natal. (2) The ex-indentured and their descendants, by the ex-indentured being meant those who have completed their term of indenture but have not returned to India, nor have got themselves re-indentured but who are struggling amidst great difficulties to earn their livelihood as free Indians. This class has of course grown out of the first. And (3) traders and other Indians who have gone to South Africa at their own expense. These persons have gone there in the wake of the indentured Indians and primarily to supply their needs. It will

thus be seen that but for the introduction of indentured Indians into Natal, there would have been no Indian problem in that sub-continent today. Now, my Lord, my own view of this system of indentured labour is that it should be abolished altogether. It is true that it is not actual slavery, but I fear in practice in a large number of cases it cannot be far removed from it. To take from this country helpless men and women to a distant land, to assign them there to employers in whose choice they have no voice and of whose language, customs, social usages and special civilisation they are entirely ignorant, and to make them work there under a law which they do not understand and which treats their simplest and most natural attempts to escape ill-treatment as criminal offences—such a system, by whatever name it may be called, must really border on the servile. I strongly hold therefore that the system should be done away with altogether. This is also the view which the entire Indian community throughout South Africa takes of the matter, as may be seen from several petitions addressed by them from time to time to the authorities on the subject. But it is not merely on its own account that I advocate the abolition of this system. I also advocate it because this continued influx of indentured labour into South Africa and the consequent inevitable annual additions to the ranks of the ex-indentured tend steadily to lower the whole position of the free Indian population. The feeling of contempt with which the indentured Indian is generally regarded comes to extend itself not only to the ex-indentured but even to traders and other Indians of independent means. The struggle of free Indians to maintain themselves becomes more and more acute by these constant additions and the whole community feels an intolerable and continuously increasing economic burden placed upon its shoulders. I therefore urge the total abolition of this system of indentured labour. I may, however, be told that this is an extreme view to take, and that though circumstances may arise which may lead the Government of India to prohibit altogether the supply of indentured labour to Natal, for the present it would be a more prudent course to utilise Natal's need for securing an improvement in the treatment meted out to Indians in South Africa generally and in Natal in particular. Now, My Lord, though this is not the highest view to take of the matter, I am prepared to recognise that from a practical standpoint there is a good deal to be said in its favour. The position of Indians in South Africa which has gone from bad to worse during the last fifteen years has now grown absolutely intolerable, and in any remedy therefore which the Government can apply to the situation it is entitled to the strong and hearty support of the people of this country.

## Need for a Searching Inquiry into Indian Grievances

What, My Lord, is the position of the Indian community today in different parts of South Africa? I trust the Council will bear with me while I present to it a brief survey of that position. The total Indian population in the four colonies or States of South Africa which have recently been federated into the South African Union is about 1,50,000. Of this number 1,20,000 are in Natal, about 15,000 are in Cape colony, about 13,000 are entitled to be in the Transvaal—though the actual number there owing to the struggle of the last three years is not more than 6,000 at present—and about 100 only are in Orangia. Let us take Natal first. I take it first both because the bulk of the Indian population in South Africa is within its borders, and also because, as I have already pointed out, the Indian problem in South Africa has grown out of the industrial needs of this colony. The supply of indentured labour from India to Natal first began in the year 1860. And with the exception of a brief period of eight years from 1866 to 1874, it has continued to the present day. From the figures kindly supplied to me by the Hon'ble Mr. Maxwell<sup>1</sup>, I find that the total number of Indians actually under indenture today in Natal is about 40,000. In addition to this there are about 65,000 ex-indentured Indians and their descendants, while the trading Indian community stands at about 15,000. The period of indenture is five years, after which a person may return to India, in which case he gets a free passage to this country, or he may get himself re-indentured, or again he may remain as a free individual in the colony on the payment of an annual license of £3 for every male above 16 years of age and every female above 13. Now so far as the persons actually under indenture are concerned, the principal grievance is naturally ill-treatment by employers. Very grave allegations on this subject have been made; and I must say that I have not seen them satisfactorily answered. On some estates the Indians are no doubt well treated—at any rate as well treated as they can be in the circumstances,—but the very relations between the employers and the employees are such that they easily lend themselves to serious abuse, and flagrant cases come to the notice of the public from time to time. The Protector of Immigrants being an officer of the Natal Government, he affords but little real protection to the poor Indian labourers. He is ignorant of their language and their ways of life and is generally imbued with the prejudices of the colony and it is not his fault if he is unable to enter into their feelings or understand their grievances. A startling fact which has been mentioned and has not been contradicted is that the rate of suicide among the indentured

1. Secretary, Commerce and Industry Department, Government of India.

that a certain number of Indians have been born and brought up in the colony and that it is the only country they know and the only home they have.

Mr. Neame, author of the 'Asiatic Danger in the Colonies', says:

Indian coolies work the sugar and tea estates of the coast; Indians develop the coal-mines; Indians perform an increasing share of the work on the farms, for the farmers, who at first viewed them with distrust, are now as anxious to retain them as the planters. Since the advent of coolie labour, the white population has more than doubled, the value of land has increased, the cost of living has gone down. It is the Indian coolie who gives Natal the cheap fruit and vegetables which are the envy of the Transvaal, who has brought under high cultivation large tracts which, but for his presence, would today be barren. The Umbilo Valley, near Durban (recently swept by the flood), and some of the land near Maitzberg, bear testimony to his industry.

And yet these Indians who have done so much for the colony have for years past been making bitter complaints of the unjust and oppressive manner in which they are being treated. The early policy of inducing ex-indentured Indians to remain in the colony was gradually given up and during the last fifteen or twenty years one of the principal concerns of the colonists in Natal has been how to get rid of the free Indian element there. A number of expedients have been tried to make their lot intolerable, of which the most serious, so far as the ex-indentured community is concerned, is the imposition by an Act of 1896 of an annual license of £3 for every male above the age of 16 and every female above the age of 13. My Lord, it is difficult to speak in terms of due restraint of this outrageous impost. It is a matter of some satisfaction that a Bill has now been introduced in the Natal Legislature to do away with this license so far as women are concerned. But the latest papers from Natal show that the measure has already been whittled down in committee and that instead of exempting all women it is now proposed to vest a discretion in the Magistrate to grant exemption in such cases only as he deems proper. This cruel impost which has to be paid by ex-indentured Indians in addition to the £1 poll-tax, which everybody has to pay in Natal, has already caused enormous suffering; it has broken up families, it has driven men to crime, and, grave as the statement is, it must be made, for I see it repeated in the Natal Legislature and practically corroborated by the Commission appointed by the Natal Government last year, it has driven women to a life of shame. My Lord, who are these people who are called upon by the Colony to pay this annual license of £3 for the right to remain in the Colony? They are probably persons whose experience of indenture has been none too kind and who are therefore unwilling to indenture themselves again; who at the same time, not having been able to lay by anything during the period of



indenture, and having probably lost caste in India by reason of their going to Africa, dare not return to this country to face a life of poverty added to social disgrace, and who therefore have no choice but to stay in South Africa, for whose sake they have left their country, and to whose service they have given five of their best years. I think the Natal Government ought to be urged to withdraw at once this iniquitous impost.

### Harsh and Unjust Treatment of Indian Traders

It is not, however, only the presence of the ex-indentured Indians to which the colonists object. They also object to the Indian trading community whose number is about 15,000 today and who have been feeling the weight of harsh and unjust treatment for the last fifteen years. At one time this community possessed both the political and the municipal franchise. The political franchise was, however, withdrawn in 1896, and during the last two years attempts have been made to take away the municipal franchise also. Then during the last five years endless trouble and much suffering and loss have been occasioned by the absolutely arbitrary manner in which the licenses to trade have been withdrawn or refused, the persons ruined not even being permitted to appeal to the Supreme Court. During the last two months a little improvement has taken place in connection with this question, for an Act has been passed, probably under pressure from the Government of India, allowing again appeals to the Supreme Court where renewals of licences are refused. This, however, removes only a part of the grievance, because there is still no appeal to the Supreme Court where new licences are refused or permission to transfer licences is withheld. Again, since last year, the educational facilities enjoyed by the free Indian community have been greatly curtailed, there being now no provision for the education of Indian boys above the age of 14 or for Indian girls of any age. In 1908, two laws were passed by the colony which were subsequently disallowed by the Imperial Government proposing to extinguish altogether the Indian trading community in the colony in ten years. My Lord, the whole policy of Natal today towards the Indian population is an utterly selfish and heartless policy, and the only way in which any relief can be obtained is by the Government of India adopting a stern attitude towards the colony in return.

### Disabilities of Indians in Transvaal

I have so far dealt with the position of Indians in Natal. Let us now glance briefly at the state of things in the Transvaal. The agitation of the last three years in that colony has overshadowed the

standing grievances of the Indian community there, which date from the time of the Boer Government. These grievances are three. In the first place, Indians cannot acquire any political or municipal franchise in the Transvaal. Secondly, they cannot hold any immovable property there. And, thirdly, they are liable to be confined to residence in locations. In addition to these three grievances the doors of the Transvaal have since 1907 been absolutely shut in the face of all Indians, who were not there before the war, no matter what their status or qualifications may be. Alone among British colonies, the Transvaal has placed statutory disabilities on His Majesty's Asiatic subjects in the matter of entering that colony. Alone among British colonies, the Transvaal has sought to inflict galling and degrading indignities and humiliations on His Majesty's Indian subjects. The protest which the Indian community of Transvaal has made against these disabilities and indignities during the last three years has now attained historic importance. It is not necessary for me to go on this occasion into its details, because the story has now been told from a hundred platforms in the country. The struggle has not yet ended—the end is not even in sight. But India has no reason to be ashamed of the part which her children have played in this struggle. The Indians in the Transvaal have suffered much for the sake of conscience and of country, but they have done nothing unworthy. And they have throughout been most reasonable. They have not asked for unrestricted Asiatic immigration into the Transvaal. They have only insisted that there shall be no statutory disabilities imposed upon their race, and that legislation subjecting them to degrading indignities shall be repealed. So far no relief has been forthcoming. But perhaps the darkest hour is already passed and the dawn is not now far.

#### Indian Position (i) in Orangia

Of the Indian position in Orangia, not much need be said. The doors of this colony are shut against all Asiatics except such as want to enter as domestic servants, and there are about a hundred Indians today there in that capacity. There were Indian traders at one time in Orangia, but they were forcibly turned out of the colony by the old Boer Government about 1893, and since then no others have been allowed to get in.

#### (ii) in Cape Colony

Lastly, I come to Cape Colony. Here on the whole a liberal policy is pursued towards Indians, and with the exception of East London the Colony treats them fairly well. The total number of Indians in this Colony is about 15,000. They are permitted to acquire

both the political and the municipal franchise, and though they have difficulties in the matter of obtaining licences to trade and at times considerable suffering and loss has been caused by arbitrary refusals to grant or renew licences, on the whole the position is much more satisfactory than in other parts of South Africa. In East London, things are no doubt bad, but it is only a small part of Cape Colony.

### Purpose in Bringing Forward the Resolution

My Lord, I have described to the Council briefly, and, I hope, accurately, the present position of the Indian community in different parts of South Africa. I will now turn for a moment to the terms of the resolution which I have laid before the Council. The resolution recommends that the Governor-General in Council should acquire statutory powers to prohibit altogether, if necessary, the supply of indentured labour to the Colony of Natal. Under the law as it stands at present the Government does not possess these powers, and I am sure that is a serious handicap to the Government in any negotiations into which it may have to enter with the Government of Natal on questions connected with the treatment of Indians in that Colony. It is of course true that the mere taking of these powers does not mean that they will be necessarily exercised. Still this resolution, if accepted by the Council today, will be an indication to South Africa generally, and to Natal in particular, as to how strong and deep is the feeling which has been roused in this country by their anti-Asiatic policy. The idea of stopping the supply of Indian labour to Natal is not a new one. Immediately after the close of the Boer War, Lord George Hamilton<sup>1</sup>, in addressing a deputation headed by Sir Lepel Griffin<sup>2</sup>, made an emphatic declaration that unless Natal treated the Indian community more fairly, the Government of India might be driven to this course. But obviously Natal has never taken such a threat seriously; for had it done so, it would not have endeavoured, as it has steadily done, to make the position of the free Indian community worse than before; also its representatives in its Legislative Assembly would not be talking today with easy assurance of getting the Government of India to agree to the proposal that the indenture of indentured immigrants should terminate in India or on the high seas.

My Lord, I sincerely trust that today's proceedings in this Council will open some eyes at least in South Africa. I think the power to stop

1. see foot-note 2 on p. 6.

2. Joined the Civil Service in the Punjab, (1860); Chief Secretary to the Punjab Government, (1870); Agent to the Governor-General for Central India, (1881-88); one of the founders of the *Asiatic Quarterly Review*.

*recruitment of indentured labour for Natal should go a considerable way in securing from the Natal Government fair terms generally for the Indian community resident in the Colony. Natal needs our labour. It cannot do without it. A number of its industries largely, almost entirely, depend upon it, and they would be paralysed if this labour was withdrawn. On this point the testimony of the Commission appointed by the Government of Natal to consider the question of Indian immigration is conclusive. The Commission says in its Report :*

*Absolutely conclusive evidence has been put before the Commission that several industries owe their existence and present condition entirely to indentured Indian labour, and that if the importation of such labour were abolished, under present conditions, these industries would decline and in some cases be abandoned entirely. These are : sugar, tea and wattle-growing, farming, coal mining and certain other industries.*

This is so far as Natal is concerned. The actual effects of the suggested prohibition, if carried out, will however probably go beyond Natal, and extend to the Transvaal. For, as the Natal Commission of last year points out, the withdrawal of indentured Indian labour from Natal will necessitate a corresponding withdrawal of the Kaffir labour of Natal from the Transvaal. My Lord, I think the present is an especially opportune moment for the Government of India to acquire the power proposed in this resolution. Not only has public attention in this country and England been drawn to the condition of Indians in South Africa as it was never drawn before, but the control of all Asiatic legislation in South Africa will shortly pass from the several Colonial Legislatures to the Union Parliament which will meet in October. This Parliament will be largely dominated by Cape Colony views, as nearly one-half of its members will be from Cape Colony. Very probably Mr. Merriman<sup>1</sup> will be the first Federal Prime Minister and he declared himself only the other day in favour of a just and uniform policy towards Indians in South Africa, by which he no doubt meant the Cape policy. It is possible therefore that strong representations made by the Indian and Imperial Governments on behalf of Indians, backed by the power which this resolution suggests, may prove more effective at this juncture than they have hitherto been in securing a redress of several of our grievances. My Lord, I urge this resolution on the acceptance of the Council because I believe it will prove of some use in remedying the evil from which we suffer. But I confess that even if there had been no chance of its proving in any degree

1. *J. X. Merriman* (1841-1926). South African statesman ; entered politics (1869) ; Prime Minister of Cape Colony (1908) ; took prominent part in the making of the constitution of the Union of South Africa in 1910.

effective, I should still have proposed it, because I think it is necessary for us now to mark in a formal and responsible manner our resentment at the treatment meted out to us by the South African Colonies and not to take that treatment entirely lying down. At the same time I recognise that the problem by which we are confronted is one of enormous difficulty and that while threats of reprisals might go some way, our main, indeed our real, reliance must continue to be upon a constant appeal to those immutable principles of justice and humanity which alone can form the enduring foundations of a great empire.

### *Three Questions of Vital Importance*

My Lord, behind all the grievances of which I have spoken to-day, three questions of vital importance emerge to view. First, what is the status of us, Indians, in this Empire? Secondly, what is the extent of the responsibility which lies on the Imperial Government to ensure to us just and humane and gradually even equal treatment in this Empire? And thirdly, how far are the self-governing members of this Empire bound by its cardinal principles? Are they to participate in its privileges only and not to bear their share of its disadvantages? My Lord, it is not for me to frame replies to these questions; it is for the Imperial and Colonial statesmen to do that. But I must say this, that they are bound to afford food for grave reflection throughout this country.

My Lord, only a fortnight ago this Council passed an important Bill imposing serious restrictions on what is known as the liberty of the Press. I was one of those who gave their support to that measure, and I did this in spite of my strong disapproval of some of its provisions. I supported the Bill because I felt that something deeper and even more fundamental than the liberty of the Press was at stake in several parts of the country and was likely to be at stake sooner or later in other parts, unless preventive action was taken now, namely, the unquestioned continuance of British rule, with which all our hopes of a peaceful evolution are bound up. But, my Lord, what is the good of preventing an expression of ideas incompatible with the continued existence of British rule, if causes are allowed to be at work which forcibly suggest such ideas to men's minds? I think I am stating the plain truth when I say that no single question of our time has evoked more bitter feelings throughout India — feelings in the presence of which the best friends of British rule have had to remain helpless — than the continued ill-treatment of Indians in South Africa.

My Lord, I am sincerely glad that your Lordship's Government has allowed this question to be brought up before the Council. Your Lordship has had a time of extraordinary difficulty in our midst. *During this time, while you have been driven from one repressive measure to another, you have also laboured incessantly for the permanent good of the people.* I sincerely hope with your Lordship that the shadow which the measures of repression have cast on our path will be only a passing one. But whether that hope is realised or not, this I know — that the good you have done will remain and it will grow from more to more. And of this good, I earnestly trust, a satisfactory settlement of the Indian question in South Africa will before long form an important part.

My Lord, I move the resolution which stands in my name. -

( The Resolution, having been accepted by Government, was  
put and adopted. )

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## STOPPAGE OF INDENTURED EMIGRATION TO NATAL

[ *The Government's decision to stop Indian emigration to Natal was announced in the Imperial Legislative Council on 3rd January 1911 by Mr Robertson.<sup>1</sup> Welcoming this announcement, Gokhale said* ]

My Lord, I am sure the Council has listened with the utmost satisfaction to the statement made by the Hon'ble Mr Robertson and I trust your Excellency will permit me to express on behalf of the non official members our sense of deep gratitude for the decision at which the Government of India have arrived in this most important matter. The announcement made today by the Hon'ble Member will evoke but one feeling throughout this country and it will be a feeling of sincere and enthusiastic appreciation. The decision of the Government removes from the difficult question of the treatment of Indians in South Africa an important factor which was responsible for much soreness of feeling. It also does more. It furnishes to my countrymen a striking object lesson of the manner in which the Government will not hesitate to take any action that has become necessary in furtherance of our interests and for the assertion of our self respect, even when it involves inconvenience and possible injury to the interests of a self governing English colony. My Lord, I heartily congratulate the Government on the step which they have taken.

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## INCREASE IN PUBLIC EXPENDITURE

[ *The Imperial Legislative Council met on Wednesday, the 25th January 1911. Lord Hardinge, the Viceroy, presided. Gokhale moved a resolution calling for an inquiry into the causes which had led to great increase in public expenditure. In moving this resolution, Gokhale made the following speech: ]*

My Lord, I rise to move that

This Council recommends to the Governor-General in Council that the Government should order a public inquiry by a mixed body of officials and non-officials into the causes which have led to the great increase in public expenditure, both Civil and Military, that has taken place during recent years, so that means may be devised for the greater enforcement of economy, where necessary and practicable.

### Unprecedented Rise in Expenditure

My Lord, the Budget Debate in this Council of last year, and more especially the language employed on the occasion by my Hon'ble friend the Finance Minister<sup>1</sup>, had led me to hope that the Government would of their own accord direct such an inquiry, at any rate into the civil expenditure of the country. That hope, however, has not been justified, and I therefore deem it my duty to submit this motion to the consideration of this Council. My Lord, the last twelve years have been in some respects a most extraordinary period in Indian finance. A variety of circumstances, to which I will presently refer, combined to place at the disposal of the Government of India, year after year, phenomenally large revenues—phenomenally large, I mean, judged by the standards of this country, and while advantage was taken of the prosperous condition of the Exchequer to grant a certain amount of relief to the taxpayers, the necessary consequences of an overflowing treasury in a country like India inevitably followed, and the level of expenditure came to be pushed up in every direction in a manner perfectly unprecedented in the history of this country. How large and how unprecedented this growth of expenditure has been may be seen from the fact that two years ago, all of a sudden and without any warning, we came to a year of a heavy deficit—the heaviest deficit that this country has known

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1. *Right Hon'ble Sir Guy Fleetwood Wilson*, Finance Member, Government of India, (1908-13); Member of the Committee on Army Reorganisation, in England, (1907); Financial Adviser to the Commander-in-Chief, South Africa; Director-General, Army Finance, U. K.



since the Mutiny. And last year, the Hon'ble Member, as if to emphasize the gravity of the situation, felt himself driven to impose additional taxation to the tune of about a million and a quarter in a perfectly normal year, free from famine, war, or any of those other disturbing circumstances which in our mind have been associated with increased taxation in the past. A development of the financial situation so extraordinary and so disquieting demands, in my humble opinion, a close scrutiny, and it is because I want the Government to undertake such an examination that I am raising this discussion in this Council today.

### Two Important Facts About India's Financial Position

My Lord, for a proper appreciation of how enormous this growth of expenditure has been during recent years, it would be necessary to take a brief survey of Indian finance over a somewhat extended period; and I propose, if the Council will bear with me, to attempt such a survey as briefly as I can for a period of about 35 years beginning with the year 1875. I take 1875 as the starting point because, in many respects, that year was a typical year—being also a normal year—typical of the old *regime* associated with the names of Lord Lawrence<sup>1</sup>, Lord Mayo<sup>2</sup> and Lord Northbrook<sup>3</sup>. I propose to begin with that year and survey the finance of the 33 years that follow, as briefly as I can. Before doing so, however, I think I must place before this Council one or two general views about the financial position of the country. Those who merely look at our Financial Statements are likely to carry away a somewhat misleading idea as to what our real revenue or our real expenditure is. The Statements give certain figures known as gross and certain other figures known as nett. But neither the gross figures nor the nett figures give, in my opinion, a correct idea of what I would call the real revenue and expenditure. To get at the figure of real revenue, it is necessary in the first place to exclude from the revenue under the Principal Heads, Refunds and Drawbacks and Assignments and Compensations and also the cost of the production of Opium. Then we must take the Commercial Services nett; and to this we must add the receipts under the Civil and Military Departments. I think such a process alone would give us a correct idea of our real revenue. Now, applying this to the Budget figures of last year, and those are the latest that are

1. see foot-note 3 on p. 18.

2. see foot-note 2 on p. 33.

3. *Earl of Northbrook* (1826-1904), Civil Lord of the Admiralty, (1857); Under-Secretary for India, (1859); Secretary to the Admiralty, (1866), Viceroy of India, (1872-76).

available for us, what do we find? We find that our real revenue, as distinct from either gross or nett revenue as given in the Financial Statement, is about 53 millions, or 80 crores of rupees, being made up of about 49 millions under the Principal Heads, about 1 million nett from Railways and Irrigation, about 2 millions, Civil Departmental receipts, and a little over 1 million, Military Departmental receipts. Out of this revenue, about a million is devoted to meet the nett charge of interest on unproductive debt, and another million goes to meet the standing charge for Famine Relief and Insurance. If we leave these 2 millions out, 51 millions remain to be devoted to the Civil and Military administration of the country, of which a little over 30 millions is devoted to Civil expenditure and a little under 21 millions is spent on the Army. The Civil charges are made up today of about 6 millions for Collection of Revenue, about 15 millions for the Salaries and Expenses of Civil Departments, about 5 millions for Miscellaneous Civil Charges, and about  $4\frac{1}{2}$  millions for Civil Works. This then is the first fact about our financial position which I would like the Council to note.

The second fact, which I would like to mention, is that this real revenue, excluding Opium receipts, which are uncertain and which moreover are threatened with extinction, is capable of growing at the rate of about  $1\frac{1}{2}$  per cent. per annum. The calculation, which shows this, is an elaborate one and I do not want to weary the Council with its details. I have tried to take as much care as I possibly could to make it accurate and I have discussed the method adopted with those who are qualified to express an opinion on these matters. I think I may say that every care has been taken to eliminate figures which ought to be eliminated from such a calculation, and I feel that the result may be accepted as a fairly correct one. On the basis of this calculation, then, excluding Opium receipts, our revenue may be taken to be capable of growing, taking good and bad years alike, at an average rate of about  $1\frac{1}{2}$  per cent. a year. It therefore follows that any increase of expenditure for normal purposes, *i. e.*, exclusive of any special expenditure that may have to be incurred for special objects, must keep well within this average rate of  $1\frac{1}{2}$  per cent. per year.

#### Survey of Indian Finance : First Period, 1875-84

I trust the Council will keep these two facts in mind, and now follow me in reviewing the growth of expenditure during the 35 years, or rather 33 years, following 1875. I think it best to take 1908-09 as the last year of the period, first, because upto that year the growth of expenditure went on practically unchecked, and secondly, because complete figures are available to the general public only upto that year. This period of 33 years divides itself into four smaller periods of more

or less equal duration—the first of nine years from 1875 to 1884, the second of ten years from 1884 to 1894, the third of seven years from 1894 to 1901, and the fourth of seven years from 1901-02 to 1908-09. Now, my Lord, for purposes of a fair comparison, it is necessary to reduce the figures for the years selected to what may be called a common denominator, all extraordinary items being eliminated from either side. Thus, if the rates of exchange for any two years, which are compared, are different, due allowance must be made for that. If there has been either enhancement or remission of taxation in the interval, if new territory has been included or old territory excluded, if certain old heads of accounts have been left out or reclassified, allowance must be made for all these. I assure the Council that I have made such allowance to the best of my ability in the comparison which I am about to institute. Thus, in the first period there was first increased taxation during Lord Lytton's<sup>1</sup> time and then there was a remission of taxation during Lord Ripon's<sup>2</sup> time, and I have made due allowance for both these circumstances. Then the rate of Exchange even in those days was not steady. It was about 1s. 9-6d to the rupee in 1875 and about 1s. 7-3d in 1884, and allowance has been made for that. Well, having made these allowances, what do you find? We find, putting aside all extraordinary expenditure due to famines and war, that during this period of nine years, our total Civil and Military expenditure rose by about 6 per cent., which means an annual increase of about two-thirds per cent. per year, against an annual growth of revenue of about 1½ per cent. The rate of normal increase of revenue was thus considerably in excess of the rate of growth of expenditure, and it was this fact which enabled Lord Ripon's Administration to remit taxation. The total increase under Civil and Military during this period was about two and a half crores a year. That is the first period.

### —Second Period, 1884-94

The second period of ten years is the most difficult period to deal with, because there is hardly anything in common between the first year and the last year. It was a period of great military activity in view of certain eventualities that were expected on the North-West Frontier, and it synchronized with a steady fall in Exchange and a steady diminution of Opium revenue. The result was that there were continuous additions to the taxation of the country. In considering the expenditure of this period, we have to make allowance for four disturbing factors. In the first place, an addition was made in 1885 of 30,000 troops—10,000 Europeans and 20,000 Indians—to the Army. Secondly,

1. see foot-note on p. 171.

2. see foot-note 1 on p. 32.

in 1886, Upper Burma was annexed. Then Exchange fell continuously between 1885 and 1894 from 1s. 7-3*d.* to 1s. 1-1*d.* to the rupee, the latter being the lowest point Exchange ever reached. And lastly, Exchange Compensation Allowance was granted to all European officials towards the end of this period, costing over a crore and a quarter of rupees or nearly a million sterling. All this necessitated continuous additions to the taxation of the country, during eight out of the ten years, something or other being put on. These four factors make it extremely difficult to compare the starting year with the closing year of this period, but a certain general view, roughly correct, may be presented. It will be found that during this period the Civil and Military expenditure of this country rose by about 14 crores. Out of this 14 crores, however, about 7½ crores was specially provided for by extra taxation, so that the normal growth of charges during this period was about 6½ crores. On the other hand, the revenue during this time increased by about 12 crores, of which about 6 crores was from new taxes; and economies were effected to the extent of about 2 crores by suspending the Famine Insurance Grant and in other ways, and thus the two ends were made to meet. The result, during the second period, putting aside all special expenditure for which special taxation was imposed upon the country, was that we had a normal growth of administrative charges for the Army and the Civil administration of about 6½ crores. This works out at a total increase of about 1½ per cent. in ten years, or an average increase of 1½ per cent. per annum, against a normal growth of revenue from the old resources of a little under 1½ per cent. a year.

### —Third Period, 1894-1901

I now come to the third period. In this period the disturbing elements were not so numerous, the only factor of that character being Exchange. At the beginning of the period, Exchange was as low as 1s. 1-1*d.*, but it rose steadily to 1s. 4*d.* in 1899, at which figure it stood practically steady for the three closing years of the period. And but for the fact that three of the biggest famines of the last century occurred during this period, as also for the fact that there was war on the frontier at the commencement, the finances of this period would have given a much more satisfactory account than they did. As things were, however, the Railway Revenue had already begun to expand. Opium too had begun to recover, and that extraordinary expansion of general revenues, which was witnessed from 1898 to 1908, had also commenced. The last three years of this period thus belong to a period of extraordinary expansion of revenue on all sides, and in addition to this, under Exchange alone, the Government saved in 1899 nearly 5 crores of rupees on the remittances to England, judged by the standard

of 1894. These expanding resources naturally led to increased expenditure, and what stimulated the growth of charges even more than that was that we had during this period three years of Lord Curzon's administration — the first three years of his administration. As a result of all this, expenditure grew at a greater pace towards the close of this period than during the previous period; but even so, we find that it was kept well under control. During these seven years there was an increase of about 6 crores in the expenditure of the country, Civil and Military, which works out at about 11 per cent. or  $1\frac{1}{2}$  per cent. per annum, the Civil expenditure rising by about 14 per cent. in the seven years or at the rate of 2 per cent. a year and the Army estimates rising by about  $6\frac{1}{2}$  per cent. or at a little under 1 per cent. per annum. For purposes of this comparison I have reduced the cost of Exchange for the first year to the level of what it would have been, if Exchange had then been 1s. 4d. instead of 1s. 1-1d. to the rupee.

#### —Fourth Period, 1901-08

Let us now turn to the last period. This period, like the third, was one of seven years, but it was a period of what was described in this Council last year as a period of 'Efficiency with a big E.' There was a hot pursuit of efficiency in every direction, leading to increased establishments, creation of new appointments, and increases in the scales of pay and promotion and pensions of the European services of the country. As a result what do we find? An increase of expenditure all round which is perfectly astonishing. The disturbing factors during this period were: (1) the Accounts for Berar were included, (2) the bulk of the Local Funds Accounts were excluded, (3) there were remissions of taxation, and (4) the charges for Military-Marine were transferred from Civil works to Military. Making allowances for all these factors, we find that during these seven years, 1901-02 to 1907-08, the total normal growth of charges, Civil and Military, came to no less than 18 crores! This gives us an increase of about 33 per cent. in seven years, or about 5 per cent. per annum! On the other hand, the expansion of revenue, which in itself was most exceptional, was, making all necessary allowances, about 2 per cent. per annum. We thus come to this: We had an increase of about  $2\frac{1}{2}$  crores during the first nine years; we had about six crores during the next ten years; again about six crores during the next seven years; and we had an increase of not less than 18 crores during the last seven years! Taking the percentages, again, we find that the normal growth of charges per annum in the first period was about two-thirds per cent.; it ranged between  $1\frac{1}{2}$  and  $1\frac{1}{2}$  per cent. during the second and third periods; while it was nearly 5 per cent. during the last period! Taking Civil

and Military separately, it was 40 per cent. for seven years or nearly 6 per cent. per annum for the Civil, and about 20 per cent., or an annual average growth of 3 per cent. for the Military !

My Lord, I think it should only be necessary to mention these figures to establish the importance and necessity of an inquiry into the growth of charges during recent years. It will probably be said that this extraordinary increase is accounted for to a great extent by increased expenditure in several useful directions. I admit at once that the Government have found additional money for several desirable objects during this period. But what is the amount so found ? The total growth of Civil charges during this period was 13 crores. Out of these 13 crores, a sum of about 3 crores represents roughly the additional expenditure on the Police, Education, and grants to Local Bodies. About a million has been added to the expenditure on Police, with what results it is too early yet to say. I, for one, am not satisfied that the growth of expenditure in this direction has been all good, but I will take it for the moment that the increased expenditure will give us a more improved Police service. Next we find that under Education there has been an increase of about half a million or 75 lakhs, including the sums provided for Agricultural Education and Technical Education. Finally, a little over half a million—nearly two-thirds of a million—represents the grants made to Municipalities and Local Boards for Sanitation, Education and other purposes. Thus, roughly speaking, the additional expenditure on these objects comes to a little over 3 crores or 2 millions sterling, leaving still an increase of about 10 crores to be explained.

### Necessity of Review

My Lord, I may mention, if the Council will permit me, that it is not only now that I am complaining of this extraordinary rise in charges. As far back as five years ago, when we were in the midst of this period and when charges were still going up by leaps and bounds in every direction, I ventured to make a complaint on this subject in the Council. If the Council will pardon me for quoting from myself, I would like to read a few lines from what I then said. Speaking in the Budget Debate of 1906-07, I ventured to observe :

The surpluses of the last few years—rendered possible by the artificial enhancement of the value of the rupee, and realised, first by maintaining taxation at a higher level than was necessary in view of the appreciated rupee, and secondly, by a systematic underestimating of revenue and overestimating of expenditure—have produced their inevitable effect on the expenditure of the country. With such a plethora of money in the Exchequer of the State, the level of expenditure was bound to be pushed up in all directions. Economy came to be

a despised word and increased establishments and revised scales of pay and pension for the European officials became the order of the day. Some remissions of taxation were no doubt tardily granted, but the evil of an uncontrolled growth of expenditure in all directions in the name of increased efficiency was not checked, and the legacy must now remain with us. The saddest part of the whole thing is that in spite of this superabundance of money in the Exchequer and the resultant growth of administrative expenditure, the most pressing needs of the country in regard to the moral and material advancement of the people have continued for the most part unattended to and no advantage of the financial position has been taken to inaugurate comprehensive schemes of State action for improving the condition of the masses. Such State action is, in my humble opinion, the first duty now resting on the Government of India, and it will need all the money—recurring and non-recurring—that the Hon'ble Member can find for it.

That this complaint was admitted in its substance to be just by the Government, or rather by the representative of the Government in the Finance Department, will be seen from certain very striking observations made the following year by His Honour Sir Edward Baker,<sup>1</sup> who was then our Finance Minister. Speaking in the Budget Debate of 1907-08 about a proposal that there should be a further increase in the salaries of certain officers, he protested that he regarded that proposal 'with astonishment, and something like dismay'; and then he proceeded to say :

I have now been connected with the Finance Department of the Government of India for five years continuously, and during the whole of that period I do not believe that a single day has passed on which I have not been called upon officially to assent to an increase of pay of some appointment or group of appointments, to the reorganisation of some Department, or to an augmentation of their numbers. All experience proves that wherever revision is needed, either of strength or emoluments, the Local Governments and the Heads of Departments are only too ready in bringing it forward. Nor are the members of the various Services at all backward in urging their own claims. I cannot in the least recognise the necessity for imparting an additional stimulus to this process.

It will thus be seen that there has been a great deal of expenditure incurred during the last few years of a permanent character, which was rendered possible only by the fact that Government had large surpluses at its disposal. In view of this, and in view of the great deterioration that has since taken place in the financial position, I think it is incumbent now on the Government to review the whole situation once again. My Lord, this was the course which Lord Dufferin<sup>2</sup> adopted in his time, though the growth of charges then was *nothing* like what it has been during the last decade. When Lord Dufferin became Viceroy, he decided to increase the Army in this country and for that purpose wanted more money. And so he appointed a Finance

1. see foot-note on p. 51.

2. see foot-note 3 on p. 14.

Committee<sup>1</sup> to inquire into the growth of expenditure that had taken place just before his time, so as to find out what saving could be effected. The Resolution appointing that Committee is a document worth the perusal of the present Government of India. It speaks of the growth of Civil expenditure that had taken place during the preceding five years as 'very large', though, as I have already pointed out, the increase was only at an average rate of about  $\frac{2}{3}$  per cent. per annum between 1875 and 1884, or taking the charges for Collection of Revenue and the Salaries and Expenses of Civil Departments only, it was about  $1\frac{1}{2}$  per cent., the increase under these two heads being higher than under other heads. If that rate of increase was, in Lord Dufferin's opinion, 'too large', I wonder what expression he would have used to describe the pace at which expenditure has grown during the last decade!

### Plea for Public Inquiry by a Mixed Body

My Lord, I now come to the form of the enquiry which I propose. I propose, in the first place, that the enquiry should be a public enquiry, and I propose, secondly, that it should be by a mixed body of officials and non-officials. As I have already observed, the language employed by the Hon'ble the Finance Member last year in this connection had led me to hope that Government would of their own accord order such an inquiry into the matter. In Simla last August, however, when I asked the Hon'ble Member a question in Council, he said that what he had meant was a Departmental inquiry only. Now, my Lord, the position is so serious that a mere Departmental inquiry will not do. In support of this view, I may quote my Hon'ble friend himself. He said last year that the question of economy did not rest with his Department alone; it rested with the Government of India as a whole. He also said that if economy was to be enforced, public opinion, both in this country and in England, would have to enlist itself on the side of economy. Now the only way to enlist public opinion on that side is by holding a public enquiry into the growth of charges, as was done by Lord Dufferin, so that the people might know how the charges have been growing and where we now stand. My Lord, I do not want a mere Departmental inquiry at the headquarters of Government. An inquiry at Simla or Calcutta will only be a statistical inquiry. What we want is a Committee, somewhat on the lines of Lord Dufferin's Committee, with one or two non-officials added, going round the country, taking evidence, finding out from the Heads of Departments what possible establishments could be curtailed, and making recom-

1. see foot-note 2 on p. 188.



mendations with that care and weight and deliberation, generally associated with public inquiries. I urge such an inquiry, because governed as India at present is, public inquiries from time to time into the growth of expenditure are the only possible safeguard for ensuring an economical administration of our finances. Under the East India Company, the situation was in some respects stronger in such matters. The Imperial Government, which now finds it easy to throw on India charges which should not be thrown on India, was in those days resisted by the Company, whenever it sought to impose such charges. On the other hand, Parliament exercised a jealous watchfulness in regard to the affairs of the Company, and every twenty years there used to be a periodical inquiry, with the result that everything was carefully overhauled; and that tended largely to keep things under control. With the transfer of the government of this country from the Company to the Crown, things have been greatly changed. All power is now lodged in the hands of the Secretary of State, who, as a Member of the Cabinet, has a standing majority behind him in the House of Commons. This means that the control of Parliament over Indian expenditure, though it exists in theory, is in practice purely nominal. In these circumstances, the importance and the value of periodical public inquiries into our financial administration should be obvious to all. There have been three such inquiries since the transfer of the government from the Company to the Crown. The first was by a Parliamentary Committee in the seventies. The Committee, which sat for nearly four years, took most valuable evidence. Unfortunately Parliament broke up in 1874, before the Committee had finished its labours, and the Committee dissolved with the dissolution of Parliament. The second inquiry was by the Committee appointed by Lord Dufferin in 1886-87; and ten years after, in 1897, a third inquiry was ordered, this time by a Royal Commission presided over by Lord Welby<sup>1</sup>. Fourteen years have elapsed since then, and I think it is due to the country that another Committee or Commission of inquiry should now be appointed to inquire in a public manner into the growth of charges and find out what economies and reductions are possible and how the level of ordinary expenditure may be kept down. And this inquiry must not be in London or at Simla or Calcutta. It must be by a body which will go round the country and take evidence.

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1. *Baron Welby of Allington (1832-1915)*, Chairman, Royal Commission which inquired into Indian expenditure, (1897).

### Four Remedies : ( i ) Spirit of Economy in place of Spirit of Expenditure

My Lord, I will now state what, in my opinion, are the remedies which the situation requires. My proposals are four in number, and they are these : In the first place, what Mr. Gladstone used to call the spirit of expenditure, which has been abroad in this country for a great many years, and especially during the seven years between 1901-02 to 1908-09, should now be chained and controlled, and in its place, the spirit of economy should be installed. If the Government would issue orders to all Departments, as Lord Dufferin did, to enforce rigorous economy in every direction and to keep down the level of expenditure, especially avoidable expenditure, I think a good deal might be done. Lord Dufferin's Government wanted money for military preparations. I earnestly hope that your Lordship's Government will want to find money for extending education in all directions. In any case, the need for strict economy is there, and I trust that Government will issue instructions to all their Departments to keep down administrative charges as far as possible. That is my first suggestion. In this connection I may add this. Care must now be taken never again to allow the normal rate of growth of expenditure to go beyond the normal rate of growth of revenue. Indeed it must be kept well within the limits of the latter, if we are not to disregard the ordinary requirements of solvent finance. If special expenditure is wanted for special purposes, as may happen in the case of an invasion or similar trouble, special taxation must be imposed, and we shall be prepared to face the situation and support the Government in doing so. But in ordinary circumstances, the normal rate of growth of expenditure must not exceed and should be well within the normal rate of growth of revenue.

### ( ii ) Substantial Reduction of Military Expenditure

My second suggestion is that the Military expenditure should now be substantially reduced. My Lord, this is a somewhat difficult question, and I trust the Council will bear with me while I place a few facts on this subject before it. Our Military expenditure, which, till 1885, was at a level of about 16 crores a year, now stands at well over 31 crores. The strength of the Army was first determined by a Commission<sup>1</sup> which was appointed after the Mutiny, in 1859, and that strength—roughly sixty thousand Europeans and one hundred and twenty thousand Indians—continued to be the strength of the Army till 1885. On many occasions during that interval those who were respon-

1. see foot-note 2 on p. 98.

sible for the Military Administration of the country pressed for an increase in the number of troops, but without success. In 1885, 30,000 troops—ten thousand European and twenty thousand Indian—were added. The number has been slightly increased since, and we have at present about 75,000 European troops and double that number of Indian troops. Now, my Lord, my first contention is that the country cannot afford such a large army, and in view of the great improvement which has taken place in mid-Asian politics, it should now be substantially reduced. Not only responsible critics of Government, but many of those who have taken part in the Administration of India and who are or were in a position to express an authoritative opinion on the subject, have publicly stated that the strength of the Indian Army is in excess of strictly Indian requirements. Thus General Brackenbury<sup>1</sup>, who was a Military Member of this Council at one time, stated in 1897, in his evidence before the Royal Commission on Indian Expenditure, that the strength of the Indian Army was in excess of Indian requirements, and that part of it was intended to be a reserve for the whole Empire in the East. I may also point out that the Army Commission of 1879, of which Lord Roberts<sup>2</sup> was a member, held that the then strength of the Indian Army—60,000 English troops and 120,000 Indian troops—was sufficient for all requirements—sufficient to resist Russian aggression, not only if Russia acted alone, but even with Afghanistan as her ally. Then, my Lord, when the South African war broke out, a substantial number of troops was sent out of this country for service in South Africa, at a time when the situation should have been regarded as anxious for India. A part was also sent to China about the same time, and yet things went on here as well as ever. All these things show that the strength of the Indian army, as it exists today, is really in excess of Indian requirements. It may be said that this is a matter of military efficiency, on which non-official members are not qualified to express an opinion. If I were venturing an opinion on the technical details of Military Administration, I should blame myself for my presumption; but this is a matter of policy, which, I venture to think, all laymen—even Indian laymen—are qualified to understand, and on which they are perfectly entitled to express an opinion. Any one can see that the situation in mid-Asia and on the frontiers of India has undergone a profound change. And, in view of this change, I think it is due to the people of this country, who have borne this enormous military burden for a number of years, that some relief should now be granted to them, and thereby funds set free to be devoted to more useful and more pressing objects. My Lord, military efficiency, as Lord

1. see foot-note 3 on p. 34.

2. see foot-note 2 on p. 34.

Salisbury<sup>1</sup> once pointed out, must always be relative. It must depend not only on what the Military authorities think to be necessary, but on a combined consideration of the needs of defence and the resources which the country can afford for the purposes of such defence. Judged by this standard, I think that our Military expenditure is unduly high; and I therefore respectfully urge that a part of this expenditure should now be reduced by reducing the troops to the number at which they stood in 1885.

### (iii) Larger Employment of Indians in Public Service

My Lord, my third suggestion is that there should now be a more extended employment of the indigenous Indian agency in the public service. In this connection I am free to recognise the necessity of paying as a rule the Indian at a lower rate of payment than the Englishman who holds the same office. I think this is part of our case. If we insist on Indians being paid at the same rate as Englishmen, we cut away a large part of the ground from under our feet. Except in regard to those offices, with which a special dignity is associated, such, for instance, as Memberships of Executive Councils, High Court Judgeships and so forth, where of course there must be strict equality, even as regards pay, between the Indian and the Englishman, there must, I think, be differential rates of payment for the Indian and European members of the public service. What is however necessary is that care must be taken not to make such distinctions galling. Instead of the present division into Provincial and Imperial services, or instead of laying down that the Indian should be given two-thirds of what the Englishman gets, I would provide a fixed salary for each office and I would further provide that if the holder of the office happens to be an Englishman, an extra allowance should be paid to him, because he has to send his wife and children to England, and he has often to go there himself. These have to be recognised as the exigencies of the present situation and they must be faced in the proper spirit. I should, therefore, have a fixed salary for each office; and I would then throw it equally open to all, who possess the necessary qualifications, subject to the condition already mentioned, that an English holder of it should get an extra allowance for meeting extra expenses. Then, when you have to make an appointment, you will have this before you. An Indian—pay, say, Rs. 500 a month — an Englishman pay Rs. 500 *plus* an allowance, of, say, Rs. 166. If you then are really anxious for economy, you will have to take the Indian, other things being equal.

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1. see foot-note 1 on p. 33.

## (iv) Provision for Independent Audit

My fourth and last suggestion is this, that provision should now be made for an independent Audit in this country. My Lord, this is a matter of very great importance and it has a history of its own. In the eighties there was some very earnest discussion on this subject between the Government of India and the Secretary of State. The first proposal on the subject, curiously enough, went from the Government of India themselves; that was when Lord Cromer<sup>1</sup>—Sir E. Baring, as he then was—was Finance Minister of India, and Lord Ripon<sup>2</sup>, Viceroy. In a despatch, addressed by the Government of India to the Secretary of State in 1882, the Government urged that a system of independent Audit should be introduced into India. The whole of that despatch is well worth a careful study. After a brief review of the system of Audit in different European countries, which the Government of India specially examined, they state in clear terms that they have come to the conclusion that the system of Audit in this country by officers who are subordinate to the Government is not satisfactory and must be altered. And they insist on two things: first, that the officer, who was then known as Comptroller General, or as he is now called, Comptroller and Auditor-General, should be entirely independent of the Government of India, that he should look forward to no promotion at the hands of the Government of India, and that he should be removable only with the sanction of the Secretary of State in Council; and secondly, that his position, as regards salary, should be as high as that of the Financial Secretary, and that he should reach that position automatically by annual increments after twenty years' service. The Secretary of State<sup>3</sup> of that time, however, under the advice of his Council, which, as a rule, is averse to change or reform, declined to sanction the proposal. He considered that it was not suited to India, that it was not really necessary, and that it would cost a good deal! Curiously enough, however, five or six years afterwards, the same proposal was revived by the Secretary of the State for India himself. Lord Cross<sup>4</sup> was then Secretary of State and the despatch in which he reopens and discusses this question is also worth a careful perusal. Like the Government of India of 1882, he too dwells on the unsatisfactory character of the Indian Audit, especially owing to the fact of the Head of the Audit Department being a subordinate of the Government of

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1. see foot-note 2 on p. 14.

2. see foot-note 1 on p. 32.

3. *Earl of Kimberley* (1826-1902), Under Secretary for India, (1864); Colonial Secretary, (1870 and 1880); thrice Secretary for India, (1882-83, 1886, 1892-94.)

4. see foot-note 2 on p. 8.

India, and points out how necessary it is that this officer should be independent of the Indian Government. The proposal was, however, this time resisted by the Government of India, Lord Lansdowne<sup>1</sup> being the Viceroy, and it again fell through. Now, my Lord, I respectfully urge that the question should be taken up once again and the Auditor-General made absolutely independent of the Government of India. In England, the Auditor-General submits an annual report on all irregularities, which have come under his notice, to the House of Commons, and the House refers it to a Committee, known as the Committee of Public Accounts, which then subjects the official concerned to a searching and rigorous examination. As our Council does not yet vote supplies, it will, I recognize, be necessary in the present circumstances that our Auditor-General's Report should be submitted to the Secretary of State for India, who is the final authority in financial matters. But the Report should be made public, being laid before Parliament every year and being also published in India. Then our criticism of the financial administration will be really well-informed and effective. At present non-official members can offer only general remarks, for the simple reason that they are not in a position to know anything about the details of financial administration. This will be altered, if they obtain the assistance of an annual report from an independent Auditor-General.

#### Four Reasons for Demand for Inquiry

My Lord, I have done. I want this inquiry to be undertaken for four reasons. In the first place, this phenomenal increase in expenditure demands an investigation on its own account. Economy is necessary in every country, but more than anywhere else is it necessary in India. Certain observations, which were made by Lord Mayo<sup>2</sup> forty years ago on this point, may well be recalled even at this distance of time. In speaking of the Army expenditure, he said in effect that even a single shilling taken from the people of India and spent unnecessarily on the Army was a crime against the people, who needed it for their moral and material development. Secondly, my Lord, expenditure must be strictly and rigorously kept down now, because we are at a serious juncture in the history of our finances. Our Opium revenue is threatened with extinction. Thirdly, I think we are on the eve of a large measure of financial decentralisation to Provincial Governments, and it seems certain that those Governments will be given larger

1. *Marquess of Lansdowne* (1845-1927), Under Secretary for India, (1880) Governor-General of Canada, (1883-88); Governor-General of India, (1888-94); Secretary of State for War, (1895).

2. see foot-note 2 on p. 33.

powers over their own finances. If, however, this is to be done, there must first of all be a careful inquiry into the present level of their expenditure. That level must be reduced to what is fair and reasonable before they are started on their new career. Last, but not least, we are now entertaining the hope that we are now on the eve of a great expansion of educational effort—primary, technical and agricultural, in fact, in all directions. My Lord, I am expressing only the feeling of my countrymen throughout India when I say that we are earnestly looking forward to the next five years as a period of striking educational advance for this country. Now, if this advance is to be effected, very large funds will be required, and it is necessary that the Government of India should, first of all, examine their own position and find out what proportion of their present revenues can be spared for the purpose. My Lord, these objects—education, sanitation, relief of agricultural indebtedness—are of such paramount importance to the country that I, for one, shall not shrink from advocating additional taxation to meet their demands, if that is found to be necessary. But before such additional taxation can be proposed by Government, or can be supported by non-official members, it is necessary to find out what margin can be provided out of existing resources. This is a duty which the Government owes to the country; and the representatives of the taxpayers in this Council owe it to those, on whose behalf they are here, to urge this upon the Government. It is on this account that I have raised this question before the Council today, and I earnestly trust the Government will consider my proposals in the spirit in which they have been brought forward. My Lord, I move the Resolution which stands in my name.

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[ *By way of reply to criticisms offered, in the course of the discussion on the above resolution, Gokhale spoke as follows :* ]

My Lord, I must crave your Lordship's indulgence a second time, because I think I ought to reply to some of the criticisms, which have been offered, before this discussion is brought to a close.

I must begin with my Hon'ble friend Mr. Meston, whose remarks I am almost sorry to criticise in view of the extremely generous reference<sup>1</sup> that he has been so kind as to make to myself. But, my Lord, I must say at once that I am not convinced by what the Hon'ble

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1. Sir James Meston began his speech by congratulating Gokhale "upon the facility and extreme fairness with which he has placed this complicated case before the Council," and went on to say "Like the late Mr. Gladstone, the Hon'ble Mr. Gokhale has the rare and happy knack of making figures interesting, and it has been a sincere pleasure to listen to the skill with which he marshalled the figures and inspired life into the dry bones of our statistical returns."

Member has said, and I am not quite sure how far the Hon'ble Member himself is convinced. I have a shrewd suspicion, my Lord, that if I could have access to some of the notes which my Hon'ble friend, as Financial Secretary, must have been writing from time to time during the last few years, I think I could make a much stronger case in favour of this Resolution than I have been able to do today. My Hon'ble friend began by saying that, if expenditure in this country has doubled itself in 35 years, the same thing has happened in other countries. I had almost anticipated this argument, and I therefore carefully avoided comparing the expenditure of this time with the expenditure of 35 years ago. What I did was that I divided the period into four smaller periods and took each time one of these, so that the years compared should not be separated by too long an interval. In the first place, therefore, my Hon'ble friend must treat the expenditure of other countries in the same way before the analogy can apply. Moreover, let him not forget that this analogy from foreign countries can cut both ways. I am quite willing that this country should provide for a standard of expenditure, such as obtains in other countries, if the Government of India will accept for itself all the responsibilities and all the standards of administration that the Governments of other countries have accepted. Let the Government, for instance, to mention only one instance, give us free, universal primary education in this country, and then it will be time for us to consider how our expenditure compares with that of other countries.

My Hon'ble friend prefers to take the year 1898, as the starting year for his comparison, to the year 1901-02. I too had thought at one time of taking 1898-99, for the simple reason that that was the commencement of Lord Curzon's<sup>1</sup> administration; but I found afterwards that the year was unsuitable, though it would really have been more favourable for my purpose. I wanted scrupulously to avoid anything that was unfair, and I saw that that year would not do, because it was midway between two great famines, the famine of 1897-98 and the famine of 1899-1900, and the revenue in that year therefore was larger on account of the arrears that were collected from the previous famine. Moreover, as both 1899-1900 and 1900-01 were years of extensive famines, the level of expenditure had no opportunity during those years to rise as it would otherwise have done. As regards my friend's explanation of the increase, the amount of which he admits, I really do not know how to describe it. The explanation comes to this : I had said that there had been an increase of 9 millions; 'Yes,' says the Hon'ble Member, 'there has been that increase; but it is made up of so much more spent under this head, so much under that head, and

1. See foot-note on p. 99



so on, the total coming to 9 millions' ! Now, this would have been a good answer, if I had said that I did not know how or where to find the items, of which these 9 millions were made up. If, for instance, I had said that somebody had walked away with our 9 millions a year, this explanation would have been perfectly sound. Surely the details, which he has given, could have been put together by any one of us from the financial returns of the Government; or if I had experienced any difficulty in that, I could have drawn on the ample courtesy of my Hon'ble friend, on which, as a matter of fact, he has permitted me to draw so liberally during the last few days. To the real question which I have raised, the Hon'ble Member has attempted practically no answer. I will refer only to two items to illustrate the way in which he has been compelled to argue in this matter. The Hon'ble Member says that establishments have been largely increased during the last few years; now that is exactly my complaint. What the Hon'ble Member should have told the Council is : should they have been so increased ? He has, however, nothing to say on that point. Again, take the increase under Stationery. The Hon'ble Member's explanation is : 'I suppose we have been writing much more than we used to do'. Now, in the first place, I am not so sure about that. If the officials have been really writing much more than they used to do; then they have been disobeying the orders of the Government of India; for one of the orders issued by Lord Curzon during his time was that official writing should be curtailed; and he even took great credit to himself on a subsequent occasion for having reduced the voluminous mass of official writing. But apart from that, last year, when I raised this very question of increased expenditure on Stationery, my Hon'ble friend Mr. Robertson<sup>1</sup>, who was then in charge of the Department of Commerce and Industry, admitted that there had been a great increase during the last twelve years, the increase amounting to no less than 60 per cent in twelve years ! And he assured the Council that his Department had been making inquiries and he hoped to make substantial reductions. Not a word of this, however, have we heard from Mr. Meston today.

The last point which I would like to notice in the Hon'ble Member's remarks is about remission of taxation. My Hon'ble friend says that while expenditure has increased a good deal during the last 8 or 9 years, there has also been a remission of taxation of about four millions. Now, my Lord, no one denies this, and I admitted it myself in my first speech. But when the fact is used to convey the idea that the taxpayers have no ground to complain of the

1. see foot-note on p. 172.

increased expenditure, the statement is not quite fair. There has undoubtedly been this remission of taxation, but I want the Council to remember that it was no more than was in common fairness due to the people of this country on account of the savings that the Government effected in the charges on their Home remittances. During the previous ten years, there had been successive additions to the taxation of the country, amounting to about  $4\frac{1}{2}$  millions, owing mainly to the continuous fall in exchange. When, therefore, exchange again rose to and steadied itself at 1s. 4d, the Government were bound to return to the people the  $3\frac{1}{2}$  millions, saved on their remittance charges, and this was practically all that the Government did by their remission of taxation, on which the Hon'ble Member has laid so much stress.

I will next turn to the speech of the Hon'ble Mr. Brunyate<sup>1</sup>. I really have no quarrel with the Hon'ble Member's statement of the case, as he has placed it before the Council. His argument briefly amounts to this. The country is getting good value for its money. Now I do not dispute that. I feel I am not qualified myself to express an opinion on that subject. Moreover, I recognise that for seven years we had one of the greatest soldiers of our time at the head of the Indian Army and he was specially well-known for his economical administration. It is true that there are those who do not quite accept this view; but that is a matter which must be left to military experts. My question was solely about policy. After the profound change that has taken place in Central Asian and Frontier affairs, is it fair, is it just to the people of the country, that the military expenditure should still continue on the same high scale on which it has been incurred all these years? For thirty years and more, our military expenditure has been dominated by the fear that Russia was drawing nearer and nearer to this country. My Hon'ble friend, Mr. Haque<sup>2</sup>, has referred to the Anglo-Russian Convention, in the framing of which, as he has reminded the Council, your Excellency had such a great part. If the Anglo-Russian Convention is a reality, I think we are entitled to the benefit of it, and the only way in which this benefit can be brought home to us is by relieving us of a part of the burden that we have borne for so many years, in order that funds may be set free to spend on primary and technical education and such other objects. In this connection I would like to quote certain observations of Lord Mayo, made forty years ago. In a celebrated minute, which has been published, Lord Mayo wrote as follows:

<sup>1</sup> 1. J. B. Brunyate, I. C. S., Joint Secretary, Finance Department, (Military Finance).

2. see foot-note on p. 192.

Though the financial necessities of the hour have brought more prominently to our view the enormous cost of our Army (16-3 crores) as compared with the available resources of the country, I cannot describe fiscal difficulty as the main reason for the course we have taken. I consider that, if our condition in this respect was most prosperous, we should still not be justified in spending one shilling more on our Army than can be shown to be absolutely and imperatively necessary. There are considerations of a far higher nature involved in this matter than the annual exigencies of finance or the interests of those who are employed in the military service of the Crown. Every shilling that is taken for unnecessary military expenditure is so much withdrawn from those vast sums which it is our duty to spend for the moral and material improvement of the people.

My Lord, this is as true today as it was forty years ago, and I earnestly trust that something will be done to reduce our present overgrown military expenditure.

I will now say a word in regard to the speech made by the Hon'ble Mr. Madge. I am glad to have his support, even though he offers it in his own way<sup>1</sup>. But one or two things in what he said I must notice. He seemed to imagine that I had given up my criticism of Railway expenditure of last year. Nothing of the kind. I did not bring it up again today, because I took the Commercial Services net for purposes of my comparison. My objection last year was not to the construction of railways out of capital, but to the percentage of working charges going up by leaps and bounds without any satisfactory reason. Last year, my Hon'ble friend, Sir T. Wynne<sup>2</sup>, gave the Council a somewhat lengthy explanation; but I am not sure that it satisfied the Council. I understand, however, that the working expenses are being kept down this year. I sincerely hope that this is true. In any case we shall know it soon, when the Financial Statement is presented. Mr. Madge has told the Council that, in his opinion, not a single European soldier in this country can be reduced. This emphatic observation was preceded by the statement that laymen ought not to be dogmatical in these matters. If only the Hon'ble Member had remembered his own counsel, we should have been spared a proposition so extreme as that which came from him. My friend spoke of the recent riots and of troops being requisitioned for service on the occasion. My Lord, it is difficult to take an argument like that seriously. If, unfortunately, there was real internal trouble in the country on a large scale, would an army of sixty to seventy thousand troops suffice to quell it? The Army, from that point of view, is either too small or too large. The

1. Mr. Madge said that an inquiry would 'fortify the position of the Government, and, by justifying every item of expenditure, show the world that their position is an impregnable one.'

2. see foot-note 2 on p. 172.

policy of the Government is to govern the country with the confidence and the attachment of the people. In that view of things, I think it is most unfair that these occasional riots should be brought forward as an argument for maintaining the Army on its present scale. Lastly, the Hon'ble Member has expressed the view that the system of independent audit that I proposed was unnecessary. Well, in this he and I differ, which is a small matter. But he should realize that he also differs from some of the greatest statesmen of England, Germany, France and Austria. If he likes that singular distinction, I have no quarrel with him.

My Lord, I now come to the extraordinary speech of the Hon'ble Mr. Gates<sup>1</sup>. For easy confidence that everything is for the best in this best of lands and for the polite suggestion that those who demand an inquiry into how Government spend the money, raised from the taxpayers, are guilty more or less of something approaching presumption, I think that speech would be hard to beat. However, the Hon'ble Member himself has supplied to the Council a part of the explanation of that speech. He has told us that he comes from Burma! But my Lord, whatever may be thought of the rest of his speech, I do not think there was any excuse for the Hon'ble Member misunderstanding me on one point. I never asked for a Commission like the Welby Commission. It is true that I mentioned it along with other bodies that have inquired into the administration of Indian finances from time to time, but I distinctly stated that I wanted an inquiry, not by a body sitting at Simla or Calcutta, or in London, but by a Committee that could go round the country, like the Finance Committee of Lord Dufferin. And Lord Dufferin's Committee was the one Committee which really did achieve solid results. That Committee went all over the country, took valuable evidence and submitted within three years its recommendations, calculated to effect a saving of about 60 lakhs, and most of the recommendations were carried out. It is a Committee of that kind, with one or two non-officials put on it, that I want. My Lord, it is quite true that if the Government do not want to enforce economies, the Committee will not achieve anything. Lord Curzon once said in this Council: 'There are inquiries and inquiries; there are inquiries to shelve and inquiries to solve.' If the Government wish to shelve this problem, they will deal with it in one way. If, however, they want to find a solution for it, they will deal with it in another way. What the Committee does or does not do, will depend upon the keenness or otherwise of the Government in the matter. Then the Hon'ble Member asked: why it was necessary to refer the question of an independent audit to a Committee of inquiry. My Lord, I never

1. see foot-note on p. 195.

suggested that it should be so referred. I merely mentioned it as one of the remedies that the situation required. If the Government will themselves examine the proposal and adopt it, so much the better; if the Government do not want to do this, they may refer it to the proposed Committee. Of course it is open to me, as the Hon'ble Member says, to bring this matter before the Council in the shape of a Resolution. And I certainly will do it, if it becomes necessary. But as to when I should do it, of that I must be the judge. Then the Hon'ble Member said I had adopted an unconstitutional course in bringing this Resolution forward. My Lord, the Hon'ble Member is Financial Commissioner of his Province. I do not know what his views are of the financial relations between the Government of India and the Provincial Governments. But I think he should know that it is only in this Council that discussions of this kind can be initiated. Any matter which refers to all Provinces in common, any matter which involves considerations of policy, with which the Government of India alone can deal, can be raised only in this Council and nowhere else. Comparatively small matters, relating to particular Provinces, may be raised in the Councils of those Provinces. I will not ask if they do even that in the Burma Council. But does the Hon'ble Member imagine that questions like economy in military expenditure, questions even like civil expenditure, involving large policies, such as the wider employment of Indians, can be raised in Local Councils? These questions must be raised here, if they are to be raised anywhere at all in India. One more observation, my Lord, on Mr. Gates' speech, and I will have done with it. The Hon'ble Member spoke of the bloated budget of Bombay, and he suggested that we should look for economies there and not trouble other Provinces. My Lord, if the budget of Bombay is a bloated budget, in any case we pay every penny of it ourselves. We have not lived on other Provinces or on the Government of India for nearly twenty years as Upper Burma has done. When Upper Burma refunds to the Government of India all that it has drawn from other Provinces, it will be time for it to speak of the bloated budgets of other Provinces.

My Lord, I now come to the last speech, which of course was not the least—that of the Hon'ble Sir Guy Fleetwood Wilson. I am grateful to my Hon'ble friend for the courtesy of his remarks<sup>1</sup> and on the whole for the very friendly tone of his speech. If it had been only the courteous and friendly tone, my satisfaction would not have been so real. When the Hon'ble Member adopts a specially friendly attitude

1. "It is an intellectual treat," Sir Guy F. Wilson said at the end of his speech, "to hear Mr. Gokhale give an exposition of his views."

or a specially conciliatory tone, I don't mind confessing that I grow somewhat suspicious. That was my experience last year; while he was giving us verbal sympathy without stint, he was putting on the country tax after tax. However, in consideration of the definite assurance he has given today and in deference to what has fallen from him towards the close of his speech<sup>1</sup>, I am quite willing to withdraw this Resolution for this year. I withdraw it for this one year only, because by this time next year we shall be in a position to see how far the Hon'ble Member has been able to carry out what he has practically undertaken to do. And I do this all the more readily because the Hon'ble Member has laid stress on one circumstance, to which it is necessary to attach special weight, and that is the fact that your Excellency has just assumed the reins of office, and that it is only fair that you should have time to look into this question for yourself. The Hon'ble Member has drawn the attention of the Council to the fact that your Excellency, if I may repeat what he said without impertinence, has a great reputation for economic administration, and the Council may well leave this matter in your Excellency's hands for the present. On one point, however, I must express my dissent from the Hon'ble Member. I do not agree with him as regards the undesirability of the machinery which I have suggested—the machinery of a public inquiry. I think public inquiries from time to time serve a special purpose of their own. Apart from the economies that may actually be effected as a result of such inquiries, every department is put on its defence, and that in itself is something to achieve. The fact that there is going to be an enquiry, so to say, shakes every department and makes it put its house in order, and that, to my mind, is no small advantage in such matters.

As regards audit, my Hon'ble friend's remarks were highly encouraging. I hope that he means even more than he says, and that it is his official position and his responsibility that have made him use that cautious language. One observation of the Hon'ble Member in this connection, however, calls for a brief comment. I think I caught a suggestion of the argument in his speech that there is a good deal of difference between the condition of India and the condition of Western countries, and that, therefore, what has answered very well

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1. Sir Guy F. Wilson gave an assurance that "all the members of the Government of India will, during the current year, subject the expenditure for which they are individually responsible to close scrutiny with a view to effecting all possible economies," and went on to say: "I do not know whether, after the assurance I have been able to give him, my Hon'ble friend will wish to press it (the resolution) to a division... A division might be misunderstood as an implication that we are not at one on the subject of economy. We certainly are."

there may not answer equally well here. I quite admit that; at the same time it should not be forgotten that this view, that an independent audit would do good to India, was the view taken successively by the Government of India and by the Secretary of State. The Welby Commission went into this question carefully. It was not able to make a unanimous recommendation, because the Commission was equally divided on the point. One section, headed by Lord Welby, strongly supported an independent audit. The other section, however, opposed it, and, among other arguments, urged that the creation of an audit officer, independent of the Government of India, would lower the prestige of the Government in the eyes of the people of this country. This, however, is an argument which I think is not worth considering. The man in the street does not understand what an audit officer is for and what are his relations with the Government of India. And those Indians who understand these things also understand why an independent officer is not created, if one is not created. Therefore the non-creation of this officer does not mean any special prestige for the Government, neither can his creation involve any loss of prestige.

My Lord, with these observations, and thanking the Hon'ble Member once again for his very friendly reply, I ask for leave to withdraw my Resolution.

( The resolution was withdrawn. )

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## LABOUR IN INDIAN FACTORIES

[ A Bill to consolidate and amend the law regulating labour in Factories, based on the report of the Factories Commission of 1908, was introduced in July 1909 and published for eliciting public opinion. It was referred to a Select Committee on 3rd January 1911. The report of the Select Committee was submitted on 31st January 1911, and the Bill, as amended by the Select Committee, was taken into consideration at a meeting of the Council on 21st March 1911, Mr. J. L. Jenkins, the Vice-President, presiding. Gokhale moved an amendment to clause 23, making it obligatory on every factory, employing more than twenty children, to maintain an elementary school and provide them with free and compulsory instruction. In support of his amendment he spoke as follows : ]

Sir, I beg to move :

That to clause 23 of the Bill as amended by the Select Committee, the following sub-clause be added :

( 1 ) Every factory, in which more than twenty children between the ages of nine and twelve are employed, shall maintain an elementary school in proper condition for their benefit, and attendance at such school for not less than three hours every working day shall be compulsory in the case of each child so employed.

( 2 ) No fees shall be charged for the instruction given in such school.

Sir, I urge this amendment on the broad grounds of justice and humanity. The plea of justice is based on three considerations. In the first place, the very fact of the employment of these children in these factories disables them from availing themselves of the ordinary facilities that exist for receiving instruction at school. They have to be in the factories for certain stated hours and therefore they cannot suit themselves to the hours during which they can receive instruction in ordinary schools. Secondly, under what is known as the split shift system, their presence in the factories is not confined to the actual hours during which they have to work; but they are expected to be about the factories, on the premises or somewhere near by, because their work is divided into two parts and they have to do part of the work in the morning and the other part in the afternoon. Therefore, the total time for which they must be present in or near the factories is really much longer than the actual period for which they have to work. And thirdly, the parents of most of these children are employed in the factories, and being so employed they are prevented from exercising that supervision over their children which ordinarily they might be expected to exercise. Therefore, Sir, on these three grounds



of justice, I urge that the factory-owners should be made responsible for the education of these children. This is only fair, because the factory-owners make money out of the children, make money also out of the children's parents, and further, work in their employ makes it impossible for the children's parents to exercise that supervision over the education and other interests of the children which they might otherwise have exercised.

Then, Sir, I urge my proposal on the ground of humanity. The sole justification for a measure like this is its humanity, and humane considerations must apply most to that section of the labouring population which is least able to take care of itself. Now, children are obviously the least able to take care of themselves, and therefore, if humane considerations are to apply anywhere and the State is to extend its protection on humane grounds to any section of the labour-population, that ought to be in the case of children. If the children are to be left to themselves, if after six or seven hours' work has been exacted from them they are to be turned into the street, there to get into the ways of mischief—without anybody to look after them, their parents being engaged in the factories—then I say the humanity on which the State bases itself in introducing this legislation is not extended to the children.

### **Factory-Owner's Responsibility to educate Factory Children**

I think, therefore, Sir, that some provision ought to be made for the education of the children employed in factories, after they have performed their work. The half-timers are between the ages of 9 and 14; I am quite willing that the provision to be made should be for children between the ages of 9 and 12 only. Of course, it is true, as the last Factory Commission<sup>1</sup> has pointed out, that there is no compulsory education for anybody in this country. It is also true that the Commission has expressed itself against compulsory provision for the education of factory children; but even so, the Commission has recommended very strongly that something should be done to ensure the education of these children and that local bodies and the Government and the factory-owners should all concert measures together for the purpose. The earlier Factory Commission<sup>2</sup>, however—that of 1890

1. The Indian Factory Labour Commission appointed by the Secretary of State for India with Mr. W. T. Morison as President (1908). Sir Vitthaladas Thackersey served on the Commission as a representative of the Bombay Chamber of Commerce and the Bombay Millowners' Association, and appended a dissenting minute to the report of the Commission.

2. The Indian Factory Commission appointed by the Government of India with Surgeon-Major A. S. Lethbridge as Chairman (1890). The other members were Raja Piyare Mohan Mukbarji, Mr. Sorabjee S. Bengallee and Mir Muhammad Hussain.

— is emphatic in its recommendation that provision ought to be made for the education of the factory children, and I prefer its recommendation to that of the later Factory Commission. This is what the earlier Factory Commission, which first provided that children should be employed as half-timers only, recommended :

If our suggestion that children should be employed as half-timers is adopted, it will be found most important to provide some means of instruction during two or three of the spare hours that the children are off work. It is not for us to discuss here the advantages of elementary education, and general control and supervision of the rising generation of operatives. These are too obvious to require any advocacy from us. What we would say is that Local Governments and municipalities should meet mill-owners half-way and, as is done in regard to children under other circumstances, contribute half the cost of teaching factory children. Supposing, for instance, that a mill, employing 100 children, spends 15 rupees a month for two teachers; the Municipality or Government should double this subscription and provide two or more teachers. Looking at it from a pecuniary point of view, the expenditure is so trifling that we cannot doubt that schools would be started without delay in connection with all mills employing a large number of children. It was not to be expected that schools started under the present circumstances could be a success. For it is impossible that a tired and jaded child (there was no class of half-timers before 1890) can work his brain to any useful purpose after his body has been thoroughly worn out with physical exertion.

Then, Sir, our friend, the Hon'ble Mr. Fremantle<sup>1</sup>, in a very interesting report which he submitted some time ago to the Government of the United Provinces on the condition of labour in Upper India, takes up this question and makes a very strong recommendation. I think he puts the case so well that I cannot do better than read to the Council what he says :

"The first step," says Mr. Fremantle, "is to compel observance of the law as to the employment of children. When the children are really employed for only half the day, their parents will, as a rule, be only too pleased that they should be under instruction for part of the rest of the time. The schools might be maintained by the mill-managers on their premises and partly supported by grants-in-aid. With proper inspection, there should be no risk of the instruction given being insufficient. Later, if the school became popular, it might be possible to provide by law that no boy or girl under 14 should be employed in a mill unless he or she were under instruction. If this were the law, it would not be the first attempt at compulsory education in India. The Gaekwar<sup>2</sup> has introduced it in parts of the Baroda State," (so it is not only I who refer to, the analogy of what the Gaekwar has done; sometimes officials also do the same thing;) "and the East Indian Railway Company in their fine estate of Giridh

1. S. H. Fremantle, I. C. S., was placed on special duty by the U. P. Government in 1905 and asked to inquire into "the shortage of labour in various industries and localities". His report was submitted to Government early in 1906.

2. see foot-note on p. 121.

enforce attendance at school with excellent results. In Ceylon" (here, again, we have an official mentioning the example of Ceylon) "wherever there are Government schools, education is compulsory, and the Commission on Elementary Education<sup>1</sup> which was recently recommended that planters should be held responsible for the instruction of the children of their Tamil coolies. Managers of mills and factories in Upper India have never yet had their attention specially directed to this matter, and it is quite time that a beginning were made."

What Mr. Fremantle says about managers in Upper India applies equally to managers all over the country. Sir, it is true that on the Bombay side some of the mills have made attempts to provide educational facilities for the children employed in those mills; but the last Commission has come to the conclusion that these facilities were not efficiently provided, and very often they were only a thin disguise for keeping the children on the premises in order that they might be worked more than half time. One essential condition, therefore, in connection with any educational facilities offered is that there must be efficient supervision, and that supervision must be provided by the Education Department or whatever body it is that inspects and supervises local schools. But I think, Sir, the first thing to do in this matter is to throw a definite responsibility on factory-owners. It is not an unfair thing to expect, as I have pointed out, that the factory-owners, who make money out of the children, should hold themselves responsible for the education of those children. Of course, it is only fair that the Government and the local bodies should come to the assistance of the factory-owners; the cost may be divided among the three bodies—the factory-owners, the local body concerned and the Government—in such proportions as may appear to be most equitable; but somebody must first be made responsible for the education of these children, and I think it should be the factory-owners. Even though there is no general compulsory law in India, it is necessary that there should be special provision for factory children for the simple reason that these children are disabled from availing themselves of the ordinary facilities that exist. I therefore trust that the amendment which I have moved will be accepted by this Council.

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1. The Commission was appointed by the Ceylon Government to "inquire into and report on the Education Question with a view to proposing practical steps to give effect to the suggestions contained in the report of the Committee appointed in 1901 to advise on the general question of imposing a cess for educational, medical and local requirements" with the Hon. Mr. H. Wace, C. M. G., as chairman, (1905).

[ *Replying on the debate which ensued, Gokhale spoke as follows :* ]

Sir, I quite understand the position<sup>1</sup> of the Government and I really did not expect that the Government would do more than urge on the Local Governments the necessity of looking into this matter and doing what they could to secure reasonable facilities for the education of children employed in factories. Sir, the whole question has to be considered from a higher standpoint than that which has been taken by some of the speakers who have criticised my proposals. My Hon'ble friend Mr. Dadabhoy<sup>2</sup> expresses the fear—and I am surprised to see that the Hon'ble Mr. Clark<sup>3</sup> concurs in that—that if educational facilities are provided for children employed in the factories, the evil of children being overworked will be facilitated. As a matter of fact, I think, if that is done, the evil will be reduced, because children will be definitely engaged in school, instead of merely loitering about, doing nothing. Of course, I insist on the essential condition that there should be efficient supervision; and if efficient supervision is provided, there would be no risk whatever. It is when there is no school, and the children are asked to remain on the premises or close by the factories, that unscrupulous managers would find it easy to get them to work for longer hours than the law allows, under one pretence or another.

As regards the Bill, to which Mr. Dadabhoy has made reference<sup>4</sup>, let me point out that the Bill has not yet become law and it will have to encounter such opposition as my Hon'ble friend offered to some of the provisions the other day, before it becomes law; and until it becomes law, it is no use speaking of it as if it was law. Moreover, even if my Bill passes, its application will depend upon the discretion of local bodies, whereas, if this amendment is accepted, automatically wherever there is a factory population of children, schools will come into existence. Again, my Bill provides only for children between the ages of 6 and 10, whereas this amendment urges that facilities should be provided for the education of children up to 12. At present children from 9 upwards can be employed in factories; if my Bill becomes law,

1. The reference is to the words of the Commerce Member, who had said in reply to Gokhale: "I would rather see something on the English system by which a child cannot be employed unless he can show a certificate that he has been attending a recognised school. There would be great difficulties about a system like that at present in India... but certain provincial Governments... have already moved in the matter, and the Government of India will keep it prominently in view of the Local Governments."

2. see foot-note 1 on p. 173.

3. Member for Commerce and Industry at the time.

4. This was Gokhale's Elementary Education Bill, introduced on 16th March 1911.

the age limit of employment will be raised by one year, as was proposed this morning by my Hon'ble friend Mr. Quin<sup>1</sup>.

The Hon'ble Mr. Madge spoke of the corpse of my Bill being resurrected in this amendment. The expression used by him suggests a hope on his part that my Bill is dead. Well, we shall see about that. Sir, my object in bringing forward this amendment was to emphasize the necessity of the Government attending to this matter, and to present to the Council the view which I have submitted. That object has been attained by this discussion, and as the Government are unable to accept my amendment, I do not wish to press it.

(The amendment was withdrawn.)

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[ In the course of the clause-by-clause consideration of the Bill, Mr. R. N. Mudholkar<sup>2</sup> moved an amendment to clause 28. The amendment was designed to secure that in the case of mills working by daylight only, the hours of commencement and end of work might be varied according to the season, provided the average work each day in a year did not exceed twelve hours a day and provided no one worked more than 12½ hours on any one day. In giving his support to the amendment, Gokhale made the following remarks : ]

I beg to support this amendment and I do so for two reasons. I think, Sir, that in the interests of the operatives themselves such an arrangement would be better than the one proposed by the Government, of a rigid 12-hour day throughout the year. I am quite sure the operatives themselves would prefer this arrangement because they would understand it better. Our operatives are too ignorant to understand time quite accurately; they do not carry watches with them, whereas in regard to sunrise and sunset those are broad facts which everybody can understand. Therefore, in the first place, the daylight arrangement would be better from the standpoint of the operatives. Secondly, it is less liable to abuse. Abuse is possible only during three months when the days are longer than thirteen hours. If efficient inspection is exercised during that time, the evil of abuse will be reduced to a minimum. But for nine months in the year there is no question of any abuse, since there would be no electric fittings, — and the Government should insist upon this, — and therefore no factory working by daylight can work for more than twelve hours during that period even if it wanted to. On the other hand, with electric fittings and a rigid 12-hour day throughout the year, inspection will be

1. see foot-note on p. 242.

2. see foot-note 1 on p. 259.

required all twelve months. For these reasons, I support the amendment.

(The amendment was put and negatived.)

[After all the amendments had been disposed of, the Commerce Member, Mr. Clark, moved that the Bill, as now amended, be passed. On this motion, Gokhale spoke as follows: ]

Sir, I wish to say a word before this motion is put to the vote. I wish to express my satisfaction that the batch of amendments, of which the Hon'ble Mr. Birkmyre had given notice, have been withdrawn<sup>1</sup>. Those amendments all hung together, and one essential part of them was that the working hours of children should be extended from 6 to 6½ hours. This was a most objectionable provision, and as the amendments all hung together, I am glad that they have all gone. But, apart from that fact, Sir, the procedure that was adopted in announcing those amendments to this Council was open to serious objection. I think I may say that never before in the history of this Council has a private Member been permitted to announce his amendments in a set speech at a meeting of the Council. What added to the curiousness of the whole thing was the blessing that the Hon'ble Member in charge of Commerce and Industry was at that time understood to pronounce upon those amendments. The whole thing looked as though an arrangement was being come to between the Government and the jute industry. It was stated at that time that Mr. Birkmyre's proposal of a 6 A. M. to 7 P. M. day had never been brought before the Select Committee; that it was a new proposal and that therefore it had to be announced in Council. Of course, the proposal was technically new; it had not been formally brought before

1. Mr. Birkmyre, a representative of the jute industry, had been a member of the Select Committee. He wished to move certain amendments to the Bill, but instead of bringing them before the Select Committee, he handed them over to the Commerce Member on 29th February 1911 and the latter announced them in the Council on 1st March 1911. Mr. Birkmyre explained that these amendments had occurred to him too late to be considered by the Select Committee. One of these amendments would have made the hours of work 6 a. m. to 7 p. m. instead of 5-30 a. m. to 7 p. m., and another would have increased the hours for children from 6 to 6½. After announcing the amendments, Mr. Clark had said: "It is of course impossible for the Government of India to express any opinion at the moment upon these amendments. It is unfortunate perhaps that they should have been put forward at so late a stage...but they have been clearly framed in a spirit of moderation and with a genuine desire for effecting a settlement of this difficult...question, Government...will undertake that the whole matter shall be most carefully examined before the final stage of the Bill is reached."

Actually Mr. Birkmyre withdrew his amendments on 21st March 1911.

the Select Committee, because the Hon'ble Mr Robertson<sup>1</sup> had made it quite clear that on that question the Government were not open to entertaining any proposals, otherwise, anybody could have suggested it, as it was the most obvious thing, the most natural thing to propose that a day should begin at 6 instead of at 5 30 A. M. As a matter of fact, I did inquire why it was necessary to have a total duration of 13½ hours, and the Hon'ble Mr Robertson explained that in Upper India it was the practice to stop for an hour and a half in the middle of the day, and, in order to provide for that hour and a half, it was necessary to begin at 5 30 A. M. and close at 7 P. M. However, all's well that ends well. I am glad that the amendments have not been pressed and that the suspicion that some of us entertained has now been dispelled.

[ After Gokhale's speech, Mr Clark pointed out 'that it was not Mr Birkmyre but I who announced the amendments', that in view of Mr. Birkmyre's position and experience, his amendments were considered specially important, that the Bill would have been delayed for a year if the amendments had been referred to another Select Committee, and that he could not understand what there was in his statement which led Gokhale to the conclusion that he intended to accept those amendments ]

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<sup>1</sup> see foot note on p 178

## EXCISE COTTON-DUTIES

[ On 9th March 1911, Mr. J. L. Jenkins, the Vice-President; presiding, Mr. Dadabhoy<sup>1</sup> moved a Resolution in the Imperial Legislative Council recommending that "in view of the continued depression in the Indian cotton industry, "the countervailing excise-duty upon cotton goods manufactured in India be abolished." Gokhale, in supporting the Resolution, spoke as follows : ]

### Conditions in 1911 Compared with those in 1895

Sir, I rise to accord my support to the resolution which my Hon'ble friend Mr. Dadabhoy has moved, though I do so on grounds somewhat different to those on which he and some of the other speakers who have followed him have based their case. I approach this question, Sir, not from the standpoint of the representatives of the mill industry, but from that of a member of the general community. It is well known that when these excise-duties were imposed about fifteen years ago, there was a feeling of deep and universal indignation throughout the country, and this indignation was caused by four reasons. Those reasons have been well brought out by the Hon'ble Mr. Dadabhoy in his able speech, and I will, therefore, refer to them only very briefly. The first reason was that the mill industry was at that time in a state of continued depression. The second was that the industry had been hit hard, for the time at any rate, by the currency legislation of the Government. The third was that the duties were imposed not because the Government of India or the Secretary of State thought it desirable to impose them, but because Lancashire dictated that these duties should be so imposed; and the Government of India made no secret that they were not a willing party to that transaction. Lastly, it was believed that the action of Lancashire in putting pressure on the Secretary of State, and through him on the Government of India, to impose those duties was due not to the fact that there was any real competition between Lancashire and India, but because Lancashire, already uneasy at the strides the mill industry had made in this country, wanted to handicap that industry in regard to its further progress. It was well known that the imports from Lancashire were practically all of them of higher counts, whereas the production of the Indian mills was confined at that time to lower counts, and there was really no question of competition between the two. It was these reasons that lay behind the extreme irritation and sore feeling caused, when these duties first came to be imposed upon us.

1. see foot-note 1 on p. 175.



I think it is necessary now in the interests of a fair discussion of this question that we should consider if the position has in any way been modified, and, if so to what extent, in regard to these four circumstances. Taking the first circumstance, we find that there is again a depression in the mill industry; but it is necessary to remember that during the interval a great wave of prosperity has passed over the industry, and that makes some difference in the situation. As regards the currency question, I think things have had time to settle down on their new basis, and therefore the injury, which the currency legislation had temporarily done to the industry, cannot now be specially urged as a reason for removing the excise duties. The third reason remains in its full force, *viz.*, that these duties were imposed at the bidding of Lancashire. That remains in full force, and whenever the circumstance is recalled to the public mind, there is even now a feeling of indignation experienced by the people of this country. Finally, the last argument has lost some of its force—I think it is only fair to acknowledge that—because the Indian mills have now gone in for higher counts to some extent—though it is still a small extent only—and to that extent competition has come into existence between the productions of Lancashire and those of the Indian mills. Therefore, Sir, the position today is not exactly the same as it was fifteen years ago, and the question must be considered afresh, before we can take the same stand that we did fifteen years ago in this matter. I may mention that I myself more than once brought this question forward during Lord Curzon's<sup>1</sup> time in this Council and urged the repeal of these duties; but that was before the great wave of prosperity, to which I have already alluded, passed over the industry—a wave that has to some extent modified the situation.

### Financial Aspect of the Duties

I think the question must be considered from two points of view: the first is the financial aspect, and the second the larger aspect of economic policy, including the question what kind of economic policy is good for India. Taking first the financial aspect of the case, it is necessary to bear in mind that all great authorities are agreed on this, that revenue duties must not be subjected to the rigorous canons of Free Trade. As my friend Mr. Dadabhoy pointed out, even Mr. Gladstone—one of the greatest apostles of Free Trade and certainly the greatest statesman of the nineteenth century that England produced—complained of the application of Free Trade principles to this country in all their rigour and 'without a grain of mercy.' Therefore, revenue

1. see foot-note on p. 97.

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1. see foot-note 1 on p. 175.

duties is drawn from the pockets of the poorest of the poor, and as such they are a most objectionable impost, and should be done away with. As regards the loss of revenue which will ensue, I have a proposal to make which I will make before I resume my seat. So much about the financial aspect.

### *Free Trade vs. Protection*

Coming to the larger aspect of Free Trade *versus* Protection, I would like briefly to state my position in this matter. I may say at once that by conviction I am not an upholder of Free Trade in all countries and at all times. Free Trade can no more prevail universally at present than any other noble ideal, for instance, the brotherhood of man. While the Great Powers of the West are preaching the brotherhood of man for one day in the week, they are practising some other faith for the remaining six days, and their armaments are going up everywhere. In the same way Free Trade for all countries may be all right in theory, but it will be a long, long day before we shall have it in practice everywhere. And till that time comes, every country must take care of its economic interests in its own way. Now, Sir, most countries have adopted Protection as their economic policy. It is, however, necessary to remember that there are two kinds of Protection, the right kind and the wrong kind. The right kind of Protection is that under which the growing industries of a country receive the necessary stimulus and encouragement and support that they require, but under which care is taken that no influential combinations, prejudicial to the interests of the general community, come into existence. The wrong kind of Protection, on the other hand, is that under which powerful influences and combinations and interests receive assistance to the prejudice of the general community, the general taxpayers of the country. And I believe that the right kind of Protection, if available, will do good to India. But, Sir, situated as India is, I fear there is no likelihood of that kind of Protection being available to us; and it is my deliberate conviction that, in our present circumstances, a policy of Free Trade, reasonably applied, is after all the *safest* policy for us. If the Government of this country were conducted in accordance with the wishes and the opinions of the people, not merely as imagined by the Government of India, but as ascertained by means of a constitutional machinery existing for the purpose, then of course the situation would be a different one. In the self-governing colonies, where they are able to impose protective tariffs (and, in fact, every colony has its huge tariff wall, as we all know), the Government is carried on in accordance with the wishes of the people constitutionally ascertained. Where that guarantee exists, it may be assumed that the taxpayers of

duties must not be judged by the standard by which ordinary protective duties may be judged. Again, as Mr. Dadabhoy has pointed out, we had at one time as high a range as 10 per cent. of import duties on cotton goods and yet they were then allowed to exist for revenue purposes without any question being raised about putting on a corresponding excise. Looking upon the  $3\frac{1}{2}$  per cent. import duties on cotton goods, therefore, as purely revenue duties, the question may be considered whether the  $3\frac{1}{2}$  per cent. excise on cotton goods is necessary for our finances. Now, Sir, at the beginning, these excise duties produced about 10 or 12 lakhs of rupees only, which was a comparatively small sum. I find, however, that last year they brought in about 41 lakhs of rupees, which is a considerable sum, and in view of the threatened extinction of the opium revenue, I do not think anyone would lightly propose that such a revenue as this can be sacrificed without a substitute being found for it. I think it is necessary to make that admission. At the same time, though the amount is necessary, I contend that it is possible to raise that amount in another way and a better way, and that, even from the financial standpoint, the duties are objectionable. I contend, Sir, that the main burden of these duties falls on the poorest classes of this country. Normally the duties fall on the consumer; they do not fall on the producer, except in abnormal circumstances. The question—who pays—has latterly come to the front in connection with the Tariff Reform controversy in England, and one reads many bewildering statements made from time to time. I, however, think, Sir, that the position which ordinary political economists occupy in this matter is a sound one, namely, that in normal circumstances a duty ultimately falls upon the consumer, whereas in abnormal circumstances it may occasionally fall on the producer. Sir, if it was the case that these excise duties fell on the producers and not on the consumers, I would not stand up here to support their abolition today. My friend, the Hon'ble Mr. Dadabhoy, complained of the extreme depression of the mill industry, and several other Members have also spoken in similar terms. I think, however, that it is necessary to point out that, before this depression came, they had a spell of extraordinary prosperity; some of the concerns are reported to have made profits of about 30 and 40 and even 50 per cent. in a single year; when, therefore, bad years come, we should not forget the good years that went before. If we take an average of good and bad years, I am not quite sure that there is such a strong case to urge for the abolition of these duties from the standpoint of the condition of the industry. Except in such abnormal times as the present, I think it is absolutely clear that the duties fall not on the producer, but on the consumer, and the consumers of the rougher counts are the poorest of the poor. Therefore, the bulk of the

### Limitation of Duties to Higher Counts Suggested

I now come to the proposal which I wish to make. I suggest that the excise duties should be limited to the higher counts only, in regard to which there is competition between England and India. Roughly, I may say that all counts below 30 should be exempted. That would mean the abolition of the bulk of the excise-duties. Such abolition would be a just measure of financial relief to the poorest of the community. To make up for the loss thus occasioned, I suggest that the import duties on cotton goods be raised to 5 per cent., the countervailing duty in India, limited to counts above 30, being also raised to 5 per cent. at the same time. You will then not sacrifice any revenue. Taking the imports of cotton goods at, say, 20 millions, an increase of  $1\frac{1}{2}$  per cent. in the customs duty will mean about £300,000 or Rs. 45 lakhs more to the exchequer, and that would be more than 41 lakhs realized from the excise-duties last year. Besides you will have in addition a five per cent. excise on all counts above 30s produced in the country. There will thus be no loss and probably some gain to the finances of the country by this course. With these observations I beg to support the resolution.

( The resolution was rejected, 20 voting *for* and 32 *against* ).

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the country are able to take care of their own interests and further that they are able to influence the decisions of the Government. But situated as we are today, we are entirely dependent on the Government of India, and more even than the Government of India, on the Secretary of State for India in Council, in this matter, as they have all the power. We may offer observations, we may criticise the action of the Government in this country, but we are a long way yet before the government of the country is carried on in accordance with our wishes, constitutionally ascertained; and until that state of things arises, until, at any rate, we grow so strong in our influence and our position in this Council that the Government will think it necessary to accept and act on our views, I really think that, on the whole, a policy of Free Trade, reasonably applied, is the safest policy for this country; otherwise influential interests, influential combinations, influential parties in England, who can have ready access to the Secretary of State, to whom we have no such access, will not fail to take the fullest advantage of the situation; and this huge engine of protection, which is a vast power, will be employed, not in the interests of the people of India, but in the interests of those parties. That being so, I do not think we should go in for the advocacy of protection, as such, in the present state of the country, and I for one, will not be a party to such advocacy. I do not therefore join in the plea that the abolition of excise duties would be a measure of protection to the Indian industry and that the Government should accede to it on that ground. But, independently of that, we have a strong case for urging that these duties should be abolished.

One word more I would say before I come to the concluding part of my remarks, and it is this; that in this matter of securing the right kind of protection, there is really not much to choose between the two parties in England. The Liberal Party is, of course, committed to Free Trade openly; Tariff Reformers appear to favour a policy of protection; but it was made abundantly clear, in the course of the last but one election, by prominent members of the Tariff Reform Party—Mr. Bonar Law, Lord Curzon and, if I remember right, even Mr. Balfour—that, while they would like to have Tariff Reform as England's policy, they would insist on keeping India in bondage, so far as her fiscal policy was concerned. It is true that in one of the leading Conservative papers in England, the *Morning Post*, some striking contributions have recently appeared, favouring a policy of fiscal independence for India; but, before we reach that independence, we shall have to traverse a good deal of ground, and for the present, at any rate, I do not regard the question as within the pale of practical politics.

£170,000 to over 4 millions. I think these figures are sufficient to show what enormous quantities of Java sugar are now coming into the country, and to what serious competition the sugar manufactured in India is exposed.

### Help without Prejudicing Free Trade Principles Favoured

Sir, the great German economist, List, points out in one place what happens when a country like India comes into the vortex of universal competition. He says that when a country, industrially backward, with antiquated methods of manufacture, dependent largely on manual labour, comes into the vortex of universal competition—competition with countries which use steam and machinery and the latest researches of science in their production—the first effect is to sweep off local industries, and the country is thrust back on agriculture and rendered almost entirely agricultural for some time. But then, here, he says, comes in the duty of the State. When such a situation is reached, the State, he says, should step forward, and by a judicious system of protection it should foster such industries as are capable of being fostered, so that the country may once again enter on its industrial path with the aid of the latest appliances and ultimately stand successfully the competition of the whole world. Now, Sir, as I pointed out this morning, if we had a potent voice in the administration of this country, I certainly would strongly advocate that the Government of India should follow this advice of List; but as things are, for a long time to come this will not be practicable, and as practical men, we must accept the situation and make the best of it. Personally, therefore, I think that for the present we should ask the State to give only such help to the industry as it can, without running counter to the principles which are at present in the ascendant in the administration of this country—I mean free trade principles. Sir, I stated my opinion this morning that I was not sorry that the policy of the State today is a free trade policy; it is the least harmful, it is the safest, and till we are stronger I should not like to see it change. If the Government of India or the Secretary of State had the power to grant protection in the present circumstances, I am not sure that it would be employed in the best interests of the people of this country. I, therefore, personally do not ask for a high protective tariff; but I urge that an enquiry be first made to find out in what way and to what extent the State can help this industry.

Sir, at the Educational Conference which was held the other day at Allahabad, under the chairmanship of the Hon'ble Mr. Butler<sup>1</sup>, this

1. Member for Education, Government of India, at the time.

## IMPORT DUTY ON SUGAR

[On 9th March 1911 Mr. J. L. Jenkins, the Vice-President, presiding, Mr. Malaviya<sup>1</sup> moved a Resolution recommending that "the duty on imported sugar be so raised as to make it possible for the indigenous sugar industry to survive the competition to which it is at present exposed". Gokhale, in moving an amendment to the Resolution, spoke as follows :]

Sir, I beg to move the following amendment to the resolution which my Hon'ble friend has proposed :

That this Council recommends that the Government should order an inquiry by a Committee of competent persons into the present condition of the sugar industry in India with a view to ascertaining what action can and should be taken by the State to save the industry from the threatened ruin.

### Inquiry Before Any Protective Action

Sir, I would like to state at the outset that my amendment is a friendly amendment to the resolution. My Hon'ble friend has proposed that the Government should so raise the duty on imported sugar as to enable the indigenous sugar industry to survive the competition to which it is at present exposed. A very small calculation will show that for this purpose a duty of not less than 30 to 40 per cent. will be required, and possibly even a higher rate may have to be imposed. It depends on what kind of sugar you want to protect from the competition of foreign sugar. If it is the sugar manufactured by factories worked by foreign methods, the duty will have to be about 40 per cent. If, however, it is the sugar manufactured by indigenous methods, then the duty will have to go higher, and may have to be as high as 80, 90 or even 100 per cent. Therefore, without expressing an opinion on the proposal made by my Hon'ble friend, I suggest an enquiry into the condition of the industry—and my Hon'ble friend will himself recognize the desirability of this—before his proposal is definitely considered by the Government. What I urge is that the Government should appoint a Committee of competent persons connected with the industry as also representing the Government and the public to thoroughly investigate the condition of the industry, and to recommend what action may be reasonably expected from the State, and should be taken by the State. Sir, there is no doubt whatsoever that the sugar industry is in a very bad way and that the decline is progressive. There is also no doubt that the imports, especially of Java sugar, have been going up by leaps and bounds. In ten years they have risen from a value of about

1. see foot-note 1 on p. 250.



£170,000 to over 4 millions. I think these figures are sufficient to show what enormous quantities of Java sugar are now coming into the country, and to what serious competition the sugar manufactured in India is exposed.

### Help without Prejudicing Free Trade Principles Favoured

Sir, the great German economist, List, points out in one place what happens when a country like India comes into the vortex of universal competition. He says that when a country, industrially backward, with antiquated methods of manufacture, dependent largely on manual labour, comes into the vortex of universal competition—competition with countries which use steam and machinery and the latest researches of science in their production—the first effect is to sweep off local industries, and the country is thrust back on agriculture and rendered almost entirely agricultural for some time. But then, here, he says, comes in the duty of the State. When such a situation is reached, the State, he says, should step forward, and by a judicious system of protection it should foster such industries as are capable of being fostered, so that the country may once again enter on its industrial path with the aid of the latest appliances and ultimately stand successfully the competition of the whole world. Now, Sir, as I pointed out this morning, if we had a potent voice in the administration of this country, I certainly would strongly advocate that the Government of India should follow this advice of List; but as things are, for a long time to come this will not be practicable, and as practical men, we must accept the situation and make the best of it. Personally, therefore, I think that for the present we should ask the State to give only such help to the industry as it can, without running counter to the principles which are at present in the ascendant in the administration of this country—I mean free trade principles. Sir, I stated my opinion this morning that I was not sorry that the policy of the State today is a free trade policy; it is the least harmful, it is the safest, and till we are stronger I should not like to see it change. If the Government of India or the Secretary of State had the power to grant protection in the present circumstances, I am not sure that it would be employed in the best interests of the people of this country. I, therefore, personally do not ask for a high protective tariff; but I urge that an enquiry be first made to find out in what way and to what extent the State can help this industry.

Sir, at the Educational Conference which was held the other day at Allahabad, under the chairmanship of the Hon'ble Mr Butler<sup>1</sup>, this-

1. Member for Education, Government of India, at the time.

question of the present condition of the sugar industry came up for consideration in connection with the subject of technical and scientific education. And my Hon'ble friend Mr. Mudholkar<sup>1</sup> made at the meeting a number of valuable suggestions, and there was a representative of the sugar industry from the United Provinces, who also stated what the difficulties of the industry were which required to be overcome. It was a most interesting discussion, and I have no doubt that Mr. Mudholkar, who will probably take part in this debate, will state here what he stated to the Conference. It seemed from that discussion that there was a great deal that the Government could do for the industry even if it did not impose a high protective tariff; in the matter, for instance, of making the services of expert chemists available, in the matter of the terms on which land may be held, in the matter of irrigation and other facilities, and so forth. I therefore suggest that a Committee should be appointed to investigate the condition of the industry and consider what assistance the Government may give in order that the industry may be saved from the threatened ruin. The Committee may also be asked to report if any protective action can be taken by the State, and if so, what that action should be.

### Cultivator Must be Safeguarded First

Sir, I think it necessary to point out that in any scheme of protection that may be proposed by anybody, three questions arise, which must be carefully considered. The first question is, what will be the difference to the cultivators if a high protective tariff is imposed, and by its means they are kept to their present cane cultivation? And how will they fare if the cane cultivation is allowed to go out, as it is steadily going out at present? We find from Mr. Noel-Paton's<sup>2</sup> recent pamphlet on the subject that during the last nine or ten years the area under cane has diminished by more than 8 per cent. and that the area under other crops has correspondingly increased by more than 8 per cent. This shows that the area vacated by cane has been occupied by other crops. The question therefore arises: how the cultivators have fared under this change. If it is found that the going out of the cane and the coming in of other crops have injured the cultivators, it will be a strong argument in favour of the State doing something to prevent this substitution taking place. If it is found, on the other hand, that the substitution has not injured the cultivators, then, so far as the cultivators are concerned, the plea for protection loses a great deal of its force. The Hon'ble Pandit Madan Mohan Malaviya read

1. see foot-note 1 on p. 259.

2. Director-General of Commercial Intelligence.

an extract from a speech by a Lieutenant-Governor<sup>1</sup> of the United Provinces, in which a distinct opinion is expressed that the substitution of other crops would injure the cultivators. If that is so, that would be a strong argument in favour of the Government doing something to prevent such an injury to the cultivators; and this is the first question that must be considered in connection with this matter.

### *Duty will benefit Manufacturers and hit the Poor*

The second question is: supposing that a duty of 30 to 40 per cent. is imposed, on whom will it really fall? Roughly speaking, Sir, I look at the question in this way. The poorest classes of this country hardly ever use sugar; they use what we call *gur* or jaggery. We will assume that all those whose annual income is less than Rs. 100 generally use *gur* or jaggery, and that persons above that limit use sugar, using it in greater and greater proportion as you go up. We will further say that to those whose income exceeds Rs. 1,000 a year, it will not much matter if the price of sugar is raised by 30 or 40 per cent. There remains the class whose income is between these two limits of Rs. 100 to Rs. 1,000 a year—a class that undoubtedly uses sugar and is interested in having it cheap. It is a very numerous class, and it would undoubtedly be hit hard by an increase in the price of sugar. Members of this class use sugar in large quantities not only on ceremonial and festive occasions, but ordinarily; and the bulk of whatever extra duty is imposed will come out of the pockets of this class. Now, a 30 per cent. duty on Java sugar means—the last imports being four million pounds or six crores of Rupees—very nearly two crores. A duty like that will therefore take two crores of rupees out of the pockets of this poor class; and, if the cultivators fare neither better nor worse, whether they grow cane or other crops, then the only result of the duty will be that this sum of two crores will go to so raise the profits of the manufacturers in India as to enable them to remain in the industry.

And this directly brings us to the third question: who will really benefit by a 30 or 40 per cent. duty? I have already observed that a 30 or 40 per cent. duty will not suffice to bring the old indigenous portion of the industry within the line of protection. The factories that will receive the protection are those run on European lines, and it is no use disguising the fact that most of these factories are in European hands and their profits go to Englishmen. Sir, I do not grudge to any Englishman a single penny of the money he may legitimately make; but I think it is a fact, which must be fairly and squarely faced, that by a 30 per cent. duty on sugar we shall take two

1. see foot-note 1 on p. 124.

crores out of the pockets of a poor class whose earnings are between Rs. 100 and Rs. 1,000 a year, and we shall transfer this sum practically to the pockets of English manufacturers of sugar in the country. I do not mean that they will thereby realise any large profits in the industry—probably you will by means of the duty just enable them to remain in the industry; without this bonus, they may have to abandon the industry and devote themselves to something else. But even if the manufacturers realize no more than ordinary profits, the question must be considered: is it just that a sum of two crores should be taken out of the pockets of a poor class and put into the pockets of the manufacturers, to enable them to realize ordinary profits and keep up the industry? Sir, I only suggest these points, which strike me as serious, for consideration. I think these questions require to be carefully considered before any action is taken on the lines suggested by my Hon'ble friend. I am not necessarily against all protective action by the State. But I strongly hold that every proposal of protection must be judged upon its merits, and it is for this reason that I suggest this enquiry. With these words, Sir, I move my amendment.

(The amendment was accepted by Pandit Malaviya, but when put to the vote, was rejected, 13 voting *for* and 33 *against*.)

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## TAXABLE MINIMUM OF INCOME

[ On 23rd February 1912, Mr. Dadabhoy<sup>1</sup> moved a Resolution in the Imperial Legislative Council recommending that the minimum of income assessable to the Income-tax be raised to Rs. 1,500 a year. Gokhale made the following speech on the occasion : ]

### Mr. Dadabhoy's Resolution Inopportune

My Lord, I agree with my Hon'ble friends Mr Subba Rao<sup>2</sup> and the Maharaja of Burdwan<sup>3</sup> that the Hon'ble Mr. Dadabhoy has not selected an exactly opportune moment for the discussion of this question. Not only are we on the eve of the extinction of our opium-revenue, but even taking the date on which this discussion comes up, we are now only within a week of the introduction of the next Financial Statement. I think it would have been much more convenient if the discussion had taken place at any rate after the Financial Statement had been introduced, because then we should have known exactly how we were likely to stand next year. My Lord, a definite proposal for a remission of taxation can at any time be justified only on two grounds : first, that the condition of the finances of the country is so prosperous that some sort of remission is possible ; and secondly, that there is unquestionable hardship caused by a particular impost. Now as regards the first, viz., the condition of our finances, I think its prosperity is a matter which is open to very serious doubt. Only the year before last, the Hon'ble Finance Minister<sup>4</sup> imposed fresh taxes on the country, because, in his view of things, the revenue then raised was not sufficient for the requirements of the State. It is true that last year there was a surplus, and possibly, owing to the extraordinary circumstances of the year that is about to close, there will be another surplus announced next month. But to determine if a margin of revenue over expenditure is available so as to remit taxation, we must take a larger view of our finances than what would be obtained if we confined our attention to one or two years only. Very probably in 1913, if the opium-revenue is really extinguished, our finances will pass through a very trying time. I do not think, therefore, that any

1. see foot-note 1 on p. 175.

2. High Court Vakil, (1886); member of the Madras Legislative Council; member of the Imperial Legislative Council, (1910-13); General Secretary, Indian National Congress, (1913-17).

3. see foot-note 2 on p. 176.

4. see foot-note on p. 296.

proposal involving remission of taxation should be seriously considered by this Council until we know where we stand so far at least as our opium-revenue is concerned.

But apart from that, there is expenditure, and large expenditure, required in various directions. There is the question of mass education to which an Imperial grant of 50 lakhs a year has already been promised, and which, I hope, will grow more and more as year follows year. There is also the necessity of providing money for sanitation, and then I think one of the great needs of the country is that there should be larger grants-in-aid regularly made to Local Bodies to enable them to perform their work satisfactorily. I think, therefore, that even if it is found that a surplus of revenue exists over the expenditure of the country when the next Financial Statement is introduced, there are so many directions in which that surplus could be usefully spent, and remission of taxation is not the only form in which it can be employed to the advantage of the people.

#### No Justification for Proposed Relief

But I will put these considerations aside, and take up the other question, viz., whether this impost causes an unquestionable hardship to the class for whom my Hon'ble friend Mr. Dadabhoy has spoken to-day. Now, my Lord, there is no doubt that, from one point of view, all imposts are burdensome. If every tax is to be discussed solely from the standpoint of those who pay it, I do not think that there will be any tax which will escape adverse criticism. But the State has to look at it from another standpoint. The State has to look at the whole scheme of taxation, first, from the standpoint of its own necessities, and, secondly, from the standpoint of the comparative ability of the different classes to pay their particular share of the total revenue raised from the community. Now, judged by this standard, I really do not think that the class for which my Hon'ble friend seeks a remission has any substantial grievance. It is true that our minimum taxable limit is Rs. 1,000 a year, whereas in England, as my friend has pointed out, it is £160. But we must take into account the different money-values in the two countries—a point which Mr. Dadabhoy has ignored altogether. From that point of view a man who earns a thousand rupees a year here is really better off than one who earns £160 in England. My Hon'ble friend's chief argument in favour of his motion is the rise in prices that has taken place since 1903. It is true that there has been a serious rise in prices in recent years, and that must hit hard every buyer of commodities. But have the necessities of the State diminished? If not, how can the burden of

taxation be reduced merely because prices have risen? Again, if there is a real surplus, which can be devoted to a reduction of taxation, which class is most entitled to relief? These are the questions which have to be considered, but which my Hon'ble friend has not considered. He compares present prices with those of 1903. But he takes no account of the remissions of taxation which have been made since 1903, and from which the class for whom he has spoken has benefited along with other classes. Thus the salt-duty, which was two rupees a maund in 1903, has been reduced by two successive remissions to one rupee a maund and this fact must be taken into account in making a comparison. My friend has quoted an extract from Lord Curzon's<sup>1</sup> speech, claiming that Lord Curzon promised to raise the minimum limit of the income-tax to a higher figure when the circumstances of the country permitted it. Now I was in the Council at that time, and I am quite sure that that was not the idea present in Lord Curzon's mind. What he had in his mind was that the salt-duty would be further reduced, and that promise has been liberally carried out by the Government by two further reductions.

### *Poorer Classes More Heavily Taxed Than Others*

In judging of the comparative ability of different classes to pay, the point to be really considered is whether the scheme of taxation, taken as a whole, hits any one class harder than any other class. Now from that standpoint I have no hesitation in saying—and I have urged this view again and again in the Council—that the poorer classes of this country bear really a larger burden than the class to which my Hon'ble friend has referred or the classes above them. The upper and the middle classes of the country contribute really much less to the Exchequer than our poor classes relatively to their resources. We have only to glance at the various heads of our principal revenue to see that this is absolutely correct. Our revenue is mainly derived from land, salt, excise, (opium I will leave out, as the opium-revenue is contributed by the foreign consumer), customs, stamps, registration, assessed taxes, forests and provincial rates. Now the land-revenue—in raiyatwari tracts at any rate—is largely contributed by very poor people. It is an open question whether this revenue is rent or tax. My own view is that it is partly rent and partly tax. And to the extent to which it is a tax, its burden in raiyatwari tracts falls on very poor people. Then take salt. The burden of salt-revenue falls the heaviest on very poor people. Of course every class consumes salt, but the bulk of it is consumed by the masses of the people. It is the same thing with excise-revenue; the bulk of the excise-revenue comes from the

1. see foot-note on p. 97.

proposal involving remission of taxation should be seriously considered by this Council until we know where we stand so far at least as our opium-revenue is concerned.

But apart from that, there is expenditure, and large expenditure, required in various directions. There is the question of mass education to which an Imperial grant of 50 lakhs a year has already been promised, and which, I hope, will grow more and more as year follows year. There is also the necessity of providing money for sanitation, and then I think one of the great needs of the country is that there should be larger grants-in-aid regularly made to Local Bodies to enable them to perform their work satisfactorily. I think, therefore, that even if it is found that a surplus of revenue exists over the expenditure of the country when the next Financial Statement is introduced, there are so many directions in which that surplus could be usefully spent, and remission of taxation is not the only form in which it can be employed to the advantage of the people.

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## LORD INCHCAPE'S INQUIRY

[ On 23rd February 1912 Gokhale, in moving a Resolution in the Imperial Legislative Council recommending that all available papers and correspondence relating to Lord Inchcape's<sup>1</sup> inquiry be laid on the table of the Council, spoke as follows : ]

My Lord, I beg to move

That this Council recommends to the Governor-General in Council that all papers and correspondence relating to the appointment of Lord Inchcape to conduct his present inquiry into the Railway Administration of India, which may be in the possession of the Government of India, be laid on the table of the Council.

### No Authoritative Information Available

Hon'ble Members have no doubt read in the papers that last month an inquiry was held here into certain matters connected with the Railway Administration of this country by Lord Inchcape, with the assistance of a Conference attended by the Chairman of the Railway Board and other officers of Government on the one hand and by the Agents and some of the Directors of the several railway companies on the other hand. Now there are several points connected with this inquiry which appear to be shrouded in obscurity and need clearing up, and my object in bringing this question before the Council today is to invite the Government to throw what light they can on those points. One unfortunate circumstance connected with this affair is that the public have been left to pick up what information they could entirely from unofficial sources, from articles and paragraphs in newspapers. From beginning to end there has been absolutely no official statement of any kind on the subject. Towards the end of last year, a paragraph went the round of the Press, and that was the first intimation we had of this inquiry, that Lord Inchcape was coming out to India this cold weather to look into certain matters that had arisen between the Railway Board and the Railway Companies. As, however, there was no official announcement of the appointment, many of us

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1. Sir James Mackay, (later Earl of Inchcape) (1852-1932), President Bengal Chamber of Commerce, (1890-93); member, Bengal Legislative Council, (1891-93); Senior Partner in the firm of Maclean & Mackenzie and Co.; thrice President of the U. K. Chamber of Shipping; member, Council of India, (1877-1911); member of the Committee of Imperial Defence, (1917); member of the National Economy (Geddes) Committee; chairman, Indian Retrenchment Committee (1922-23); created Earl (1929).

pockets of very poor people. The class for whom my friend has spoken does not use country liquors and therefore it pays nothing to the State under the head of excise. Then under stamps and registration, the poorer classes contribute, relatively speaking, much more than the class whose annual income is between one thousand and fifteen hundred rupees. Under customs, too, the poorer classes bear their share of the burden, though here probably the classes above them contribute more. Under forests, they have to pay for their fuel and the grazing of their cattle. It is only the income-tax from which they are free, but taking the whole scheme of taxation, I maintain that their share of the burden is relatively much heavier than that of the middle and upper classes. No clear case, therefore, has been made out for giving special relief just now to the class mentioned by Mr. Dadabhoy.

### Some Improvements in Working Suggested

There are, however, one or two suggestions which have come from my Hon'ble friend with which I am in agreement. I think that while the minimum taxable limit might be kept at Rs. 1,000, the principle of abatement should be introduced into this country. It is a just principle and is found in operation in many civilized countries; and I think it is only just that there should be some abatement granted to those who are just above the minimum limit. I think those whose incomes are between Rs. 1,000 and Rs. 1,500 or Rs. 1,000 to Rs. 2,000 should have some reduction made as regards the amount on which the tax is assessed. Then I also agree that in the case of joint stock companies or those who have an income of Rs. 50,000 a year, there might be a little higher rate of taxation. I do not think that that will hit anybody much, but will make up to some extent for the loss that will be occasioned by the granting of abatements in the case of those whose incomes are between Rs. 1,000 and Rs. 2,000. I also agree with my friend the Hon'ble Mr. Subba Rao that the chief grievance in connection with the income-tax is the manner in which the tax is collected. The assessments are notoriously haphazard, and there is no real relief in the shape of appeals, as they are now heard. Some better machinery has got to be devised in order to give relief to those—and their number is large—who suffer from the vagaries of the assessing officers. If that were done, and if the principle of abatement were introduced with a higher rate for those who are above a certain limit, I think the requirements of the situation would be largely met.

( Mr. Dadabhoy's resolution was put and rejected. )

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'mission' in connection with railway matters. The impression left on my mind, after carefully reading what has appeared in the papers, is that Lord Inchcape undoubtedly came with a large and undefined discretion, the terms of reference not being fixed and the scope of inquiry not being settled beforehand. Now I want to know if this is true, and if so, whether any representation was made by the Government of India to the Secretary of State in regard to this matter.

### Indian Government Ignored by Secretary of State

The next question that arises is, if Lord Inchcape really came out like this with an unfettered discretion, what was the position of the Government of India in the matter? No one recognises more than I do the importance and necessity of Parliamentary control over Indian affairs, and that control, we all see, can be exercised only through the Minister who is responsible to Parliament for India. And no one questions the Secretary of State's competence to order an inquiry in regard to any affair connected with the administration of India. What I contend however, is that such inquiry must be through the regular channel. If a Royal Commission is appointed, the Commission would necessarily report to the King; but if a Committee is appointed or an individual deputed to make any inquiry, it is only right and proper that the report of such a committee or individual should be submitted through the Government of India. If what we have read in the papers be true, namely, that the report of Lord Inchcape has been sent direct to the Secretary of State, I wish to ask why this clearly irregular procedure has been adopted; also if there has been any protest against this on the part of the Government of India as a whole—for the procedure adopted is calculated to lower the Government of India in the eyes of the people—or on the part of the Industry and Commerce Department, or on the part of the Finance Department. I can call to mind three instances where individual experts selected by the Secretary of State came out to this country to advise the Government. But they were appointed either at the instance of the Government of India or in consultation with that Government. Thus Sir Hamilton Frere-Smith came out to inquire into the condition of factories; Mr. Robertson came out to inquire into our Railway Administration; and Mr. Newlands came out to inquire into the working of the Telegraphs. But in all these cases, though the appointment was made by the Secretary of State, it was made either at the instance of, or in consultation with, the Government of India; and these individual experts submitted the results of their inquiry to the Government of India in the first instance, which the Government of India then for-

naturally thought that the paragraph only represented an attempt on the part of some clever journalist to anticipate events, intelligently or otherwise. At the beginning of this year, however, we were told again by the newspapers, that Lord Inchcape had actually arrived, and later on that he had set about making arrangements to hold his inquiry. Then we saw—this too in the papers—that a Conference was held, to which I have already referred—a Conference at which the Hon'ble Mr. Clark<sup>1</sup> was present as an interested visitor and which was attended by the Hon'ble Sir James Meston<sup>2</sup> with a sort of a watching brief on behalf of the Finance Department. Finally, my Lord, we learnt yesterday from the newspapers that Lord Inchcape had completed his labours and was going to submit his report to the Secretary of State by last evening's mail.

Now the first question that arises in this connection is, why was no official statement ever made at any stage of these proceedings on this subject? Government very rightly issue Press notes now on many matters, either to supply information or to remove misapprehensions. Only the other day a Press communique was issued by the Education Department, correcting a misstatement that had found its way into the columns of the papers, that out of the 50 lakhs of Imperial grant to Education announced at Delhi, 12 lakhs had been assigned to Bombay. If it was thought necessary to set right a misstatement of that comparatively minor character by means of a Press communique, I really do not understand why no Press communique was ever issued on this subject of Lord Inchcape's inquiry. It cannot be said that there was no adverse criticism on the subject in the Press. So far from that being the case, many Indian newspapers, and at least two Anglo-Indian papers, the *Indian Daily News* of Calcutta and the *Times of India* of Bombay, had passed very strong criticism on the whole proceeding, the criticism of the *Times of India* being the most direct and the most powerful. My first question, therefore, is why was no official statement of any kind issued at any time on the subject so as to prevent or remove misapprehensions in the public mind?

My second question is, what was exactly Lord Inchcape's position in this inquiry? It has been suggested—I have seen it in the papers, I think it was in the *Indian Daily News*—that Lord Inchcape had come out to this country as a sort of a plenipotentiary from the Secretary of State<sup>3</sup>: and the *Times of India* spoke of Lord Inchcape's

1. Member, Commerce and Industry, at the time.

2. see foot-note on p. 162.

3. *Marquess of Crewe* (1858-1945), Lord-Lieutenant of Ireland, (1892-95): Leader, House of Lords, (1908): Colonial Secretary, (1908): Secretary for India, (1910-15): British Ambassador in Paris, (1922-25).

of this kind, it is not the interests of the Companies only that have to be considered, but the interests of the taxpayers also must be taken into account, and the interests of the taxpayers are represented in this controversy first by the Finance Department and next by the Railway Board.

Moreover, it cannot be said that Lord Inchcape is an expert in matters of railway administration. As a matter of fact, in that respect we have at the head of the Railway Board a gentleman, with almost ideal qualifications, one who was an Agent of an important railway and is now a trusted officer of Government responsible for spending its money economically. However, whatever may be thought of the necessity of inquiry into the matters at issue between the Railway Board and the Railway Companies, I feel bound to say that such inquiry should not have been entrusted to Lord Inchcape. My Lord, I refer to this aspect of the question, because an important point of principle is involved in it. Lord Inchcape is the senior partner of a big commercial house in this country, having extensive dealings with Railway Companies. Of course everybody has the highest respect for his Lordship personally; after a most distinguished career as a business man in India, he retired to England, and there he was for a number of years a member of the Secretary of State's Council; he has served the State in various capacities with conspicuous ability, and his services have raised him to his present eminent position. No one will for a moment suggest that such a man is likely to be influenced in the recommendations that he would make by his business relations with Railway Companies; but there is such a thing as an unconscious bias from which even the most eminent of men are not free, and it is casting no reflection on Lord Inchcape to say that, as a great business man, he is apt to be more impressed by the importance of increased railway expenditure and the difficulties of Railway Companies than by the necessity for those safeguards which have been devised by the Finance Department and by the Railway Board to ensure economic administration. If his recommendations, therefore, result either in relaxing the control of the Railway Board over the growth of working expenses, or in increasing the annual budget of capital expenditure on railways, this Council will certainly have very serious cause for complaint. There is thus room for very real anxiety in the public mind as to what the whole of this proceeding will lead to, and I have brought this motion before the Council in the hope that papers will be laid on the table and all doubts cleared up in the matter.

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warded to the Secretary of State, as they always do in all important matters. I believe the forthcoming inquiry by Sir William Nicholson's<sup>1</sup> Committee will also proceed on similar lines, and the report will be submitted through the Government of India and not to the Secretary of State direct. If the Secretary of State is to send out an officer of his own or a private individual—and Lord Inchcape is only a private individual now—to make an inquiry into matters of administration, independently of the Government of India, and if the results of such inquiry are to be communicated direct to him, I must say that this would be a dangerous innovation, opening the door wide to serious complications, and unless a protest is made in time both by the Government of India and by this Council against proceedings of this character, I am not sure that harm—and serious harm—will not be done in future even if no harm has been done in the present case.

### Taxpayer's Interests Neglected

My Lord, there is one more point in this connection, about which I wish to say a word. It is a matter of common knowledge that the relations between the Railway Board and the Railway Companies have not been very smooth for the past two or three years, because the Railway Board has tried to tighten its control over the Railway Companies mainly in connection with the growth of working expenses. Well, the Railway Board in its turn has responded to pressure put upon it, first, by the Finance Department, and secondly, by the criticisms that have been offered here by non-official Members in the matter. I rejoice that the Railway Board is now exercising a firmer control over the Companies, and I earnestly hope that it will become even more stringent in the future. If, however, such control is felt to be a grievance by the Companies, the proper way to deal with the grievance is to order a regular inquiry into it. One cannot help thinking—and I base myself only on what has appeared in the papers—that the powerful Railway Companies, with their influential Directorates, and their comparatively easy access to the Secretary of State in London, have succeeded in inducing the India Office authorities to send out Lord Inchcape so that matters might be made easier for them. Of course I have no official authority for making this statement, because nothing is known authoritatively, but this is the impression left on my mind by all that has appeared in the papers on the subject. Now, in a matter

1. *William Gustavus Nicholson (Baron Nicholson of Roundhay)*. (1845-1918), Field-Marshal; Military Secretary to Lord Roberts, Commander-in-Chief in India, (1890-93); Chief of Staff, Tirah Expedition, (1897); Director of Military Operations at the War Office (1901); Chief of the Imperial General Staff, (1903); chairman of commission to inquire into Indian army expenditure.

## PROHIBITION OF INDENTURED LABOUR

[ On 4th March 1912, Sir Guy Fleetwood Wilson, the Vice-President, presiding, Gokhale moved a Resolution in the Imperial Legislative Council, recommending the prohibition of the recruitment of Indian indentured labour. He spoke as follows : ]

Sir, I rise to move

That this Council recommends to the Governor General in Council that the Government of India should now take the necessary steps to prohibit the recruitment of Indian labourers under contract of indenture, whether for employment at home or in any British Colony.

Hon'ble Members will remember that two years ago this Council adopted a Resolution recommending that the Governor-General should obtain powers to prohibit the recruitment of indentured labour in this country for the Colony of Natal. The Government, who accepted that recommendation, gave effect to it by carrying through this Council the necessary empowering legislation, and the new law was put into operation on the 1st July last against Natal. I respectfully invite the Council today to go a step further and recommend that the system of indentured labour should now be abolished altogether. It is true that the Resolution of two years ago was adopted by this Council principally as a measure of retaliation rendered necessary by the continued indignities and ill-treatment to which our countrymen were subjected in South Africa ; but my own view, expressed even then in this Council, was that apart from the question of retaliation the system should be abolished because it was wrong in itself.

### System Inherently Wrong and Objectionable

I do not think it necessary to describe to this Council at any length what this system really is. Its principal features may roughly be stated to be six in number. Under this system, those who are recruited bind themselves, first, to go to a distant and unknown land, the language, usages and customs of which they do not know, and where they have no friends or relatives. Secondly, they bind themselves to work there for any employer to whom they may be allotted, whom they do not know and who does not know them, and in whose choice they have no voice. Thirdly, they bind themselves to live there on the estate of the employer, must not go anywhere without a special permit, and must do whatever tasks are assigned to them, no matter however irksome these may be. Fourthly, the binding is for a

[ Mr. Clark, speaking for the Government, explained that Lord Inchcape had not come out to conduct 'so large a matter as an inquiry into the whole railway administration of the country,' but that certain questions had been outstanding between the Railway Board and the Railway Companies, and it seemed to the Secretary of State that these should be dealt with in an informal conference rather than by correspondence which is apt to be prolonged.

*Replying to the debate, Gokhale spoke as follows : ]*

My Lord, it may appear strange to this Council that while a Member of the Government of India is prepared to—I won't use the word 'condone,' but I will say accept—what has been done by the Secretary of State in this matter, non-official Members should stand up and urge the view that the proceeding detracts from the dignity and the position of the Government of India. But the Hon'ble Mr. Clark has carefully evaded the direct issues which I had put to him. What I wanted to know was : was the Government of India consulted before Lord Inchcape was appointed? Did the Government of India agree to the inquiry being conducted by Lord Inchcape in the manner he did? And are the Government of India prepared to accept the position that the Secretary of State may send out anybody he likes to make an inquiry independently of the Government of India and to send a report to him behind the back of the Government of India? Of course, a report submitted to the Government of India must go to the Secretary of State in the case of such inquiries before final orders are passed. But that is another matter. What I object to is the report going direct to the Secretary of State, for practically it means that the whole inquiry is independent of the Government of India. If the Hon'ble Member is prepared to accept such a position for the Government of which he is a member, all I can say is that that is not the position which the Government of India should hold in these matters. As the purpose of my motion has not been met by the answer that the Hon'ble Member has given, I must press for the Resolution being put to the vote.

(The resolution was put and rejected, 19 voting for and 33 against ).

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before me, put it in the very forefront of its report. The second fact is that it is a system under which even the negro, only just then emancipated, scorned to come, but under which the free people of this country were placed. And, thirdly, what strikes one is that the conscience of Government—and by Government I mean both the Government of India and the Imperial Government — has been very uneasy throughout about this question, as may be seen from various inquiries ordered from time to time into the working of the system, its repeated suspension for abuses, and its reluctant resumption under pressure from planters. The first, and in some respects the most important, inquiry that was held was due to the action that the Parliament in England took at the very start in this matter. As I have already mentioned, the system came into existence about the year 1834, after the abolition of slavery. In 1837 the matter attracted the attention of Parliament, and in the debate on the question that followed, the system was denounced in strong terms by Lord Brougham<sup>1</sup> and Mr. Buxton,<sup>2</sup> and other great Englishmen of that time. The result was that the system was discontinued at once and an inquiry was ordered into its nature and working. A Committee of four gentlemen was appointed, who sat in Calcutta and considered the whole subject. The Committee, after a very careful investigation, submitted a majority and a minority report. Three members out of four condemned the system altogether, and urged that it should not be allowed to come into existence again. Only one member expressed himself in favour of reviving the system under certain safeguards which he suggested. The matter went back to Parliament; but the Parliament, already exhausted by the great effort that it had made in connection with the abolition of slavery and wearied by the constant wail of planters in regard to the ruin that was threatening them, ultimately followed in this case a somewhat extraordinary procedure and adopted the minority report of one member as against the majority report of three members. And this was done in a very thin House, only about 150 members being present.

As a result of this vote, the system was allowed to be revived in the year 1842. The conscience of the Government, however, has continued troubled, and there have been, since then, numerous other

1. *Henry Peter Brougham* (Baron Brougham and Vaux) (1778-1868), British statesman, lawyer, writer and orator; Lord Chancellor (1830-34); supported the anti-slavery movement, Lord Rector, Glasgow University, (1825); Chancellor, Edinburgh University, (1860).

2. *Sir Thomas Fowell Buxton* (1786-1858), advocated prison reform, (1816-22); advocated abolition of slavery in British possessions, (1822-31); advocated repression of African slave trade and the Niger expedition (1839-40).

certain fixed period, usually five years, during which time they cannot voluntarily withdraw from the contract and have no means of escaping from its hardships, however intolerable. Fifthly, they bind themselves to work during the period for a fixed wage, which invariably is lower, and in some cases very much lower, than the wage paid to free labour around them. And sixthly, and lastly, and this to my mind is the worst feature of the system, they are placed under a special law, never explained to them before they left the country, which is in a language which they do not understand, and which imposes on them a criminal liability for the most trivial breaches of the contract, in place of the civil liability which usually attaches to such breaches. Thus they are liable under this law to imprisonment with hard labour, which may extend to two and in some cases to three months, not only for fraud, not only for deception, but for negligence, for carelessness and—will the Council believe it?—for even an impertinent word or gesture to the manager or his overseers. These, Sir, are the principal features of the system and when it is remembered that the victims of the system—I can call them by no other name—are generally simple, ignorant, illiterate, resourceless people belonging to the poorest classes of this country, and that they are induced to enter—or it would be more correct to say are entrapped into entering—into these agreements by the unscrupulous representations of wily professional recruiters, who are paid so much per head for the labour they supply and whose interest in them ceases the moment they are handed to the emigration agents, no fair-minded man will, I think, hesitate to say that the system is a monstrous system, iniquitous in itself, based on fraud and maintained by force, nor, will he, I think, demur to the statement that a system so wholly opposed to modern sentiments of justice and humanity is a grave blot on the civilization of any country that tolerates it.

### Origin and History of the Indentured System

Let the Council glance briefly at the origin and the history of the system, and it will at once be struck by three facts which in themselves are a sufficient condemnation of the system. The first is, that this system of indentured labour came into existence to take the place of slave labour after the abolition of slavery. This is a fact admitted by everybody, and Lord Sanderson's Committee,<sup>1</sup> whose report I have

1. This was a Committee appointed in March 1909 by Earl Crewe, the then Secretary of State for India, with Lord Sanderson as chairman, to consider the following questions: (a) the general question of emigration from India to the Crown Colonies; (b) the particular Colonies in which Indian immigration may be most usefully encouraged, and (c) the general advantages to be reaped in each case (i) by India itself; and (ii) by each particular Colony. The Committee's report was submitted in April 1910.

system are roughly five. The first is naturally its utter inequity. Sir, whatever view one may take of the agreements into which these poor people are made to enter under the system, to dignify them by the name of 'fair contract' is to misuse the English language. For the stream is poisoned at its very source. It is significant that nobody has a good word to say for the professional recruiters who entrap and entice away these poor people. The recruiters are admittedly men who are generally ignorant and unscrupulous, and who, with the exception of perhaps a very few, have never been to the colonies for which they recruit, and who, being paid so much per head, try by hook or by crook to get into their meshes as many persons as they can. The Government of India stand aside on the plea that it is a fair contract between the emigrant and his future employer! Sir, how can a contract be called a fair contract, the two parties to which are most unequally matched? How can it be a fair contract when one party to it is absolutely in a state of ignorance and helplessness, and the other party—the powerful party—takes care that it shall not know how much it is undertaking to abide by. Take, for instance, the penal nature of the contract. The terms that are explained to the emigrants, when they enter into indenture, never include a statement of the penal nature of the law under which they have to live. Here, in volume III of the Sanderson Committee's report the Council will find the agreements for the different colonies reproduced. There is not a word here about the penal liabilities thrown on the poor creatures by the special laws under which they must live in the several colonies. If this single fact is explained to them before they agree to emigrate, namely, that they would be placed in the colonies not under the ordinary civil law for the enforcement of the contract but under a special penal law rendering them liable to imprisonment with hard labour even for trivial faults, I should like to see how many even of such ignorant, resourceless people agree to go to these distant places. I say, therefore, that the stream is poisoned at the source; that it is not a fair contract; that it is a contract between two parties that are absolutely unequally matched, a contract vitiated by the fact that most important facts in connection with it are kept from the knowledge of one party.

### **Safeguards illusory and ineffective**

In this country, Sir, the Government have from time to time enacted laws for the special protection of the peasantry. In the Bombay Presidency, for instance, we have the Dekkhan Agriculturists' Relief Act. In the Punjab some time ago legislation was passed restricting the right of the agriculturist to alienate land. The theory that underlies such legislation is that persons who are ignorant and

inquiries into the working of the system, resulting in its temporary suspension, followed unfortunately by its resumption again owing to the influence of the planters. I will give the Council a few instances. In Mauritius the system was introduced in 1834, was suspended in 1837 on account of the debate in Parliament to which I have already referred, and was resumed in 1842, after that vote in the House of Commons. It was, however, suspended again in 1844, was resumed in 1849, and was finally stopped last year; at any rate, there is no more any indentured immigration into Mauritius. In British Guiana, the system was suspended in 1838 under the action of the House of Commons; it was resumed in 1844, was suspended again in 1848, and was resumed in 1858. In Trinidad, where it began in 1844, that is after the Parliamentary action I have spoken of, it was suspended in 1848 and was resumed in 1851. In Jamaica it began in 1845, was suspended in 1848, resumed in 1860, suspended again in 1863, resumed in 1869, suspended once more in 1876 and was resumed in 1878. I am omitting the latter suspensions and resumptions which were due to indentured labour not being temporarily required by the Colony. In Natal, the system began in 1860, it was suspended in 1869 and was resumed in 1872. Even in Assam, where the system was introduced in 1859, there were inquiries held in 1861, 1868, 1881 and 1895. I have not included in this list the last enquiry of 1906<sup>1</sup>, because it was not undertaken to inquire into the abuses of the system. Now, Sir, these facts clearly show that the Government has been torn throughout between two sets of considerations—one, a natural feeling of sympathy for the material interests of the white planters, and the other a regard for the humanitarian standards of administration which characterise all modern Governments.

### Principal Objections to the System

I have so far dealt with facts connected with this question that lie on the surface. I will now deal in greater detail with the principal objections to the system, and will then say a word about the arguments used in its favour by its supporters. The principal objections to the

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1. The inquiry was by a committee appointed by the Government of India in February 1905 "to consider the question of recruitment of labour for the tea gardens of Assam." Mr. B. Robertson, I.C.S., was President of the Committee which submitted its report six months later. The appointment of the Committee was as a result of the request of the India Tea Association "for an inquiry into the measures necessary to obtain a full supply of labour for the Upper Assam Valley before the withdrawal of the Act from these districts was carried out". The Act referred to was Act VI of 1901, which empowered "a Local Government, with the previous sanctions of the Governor-General in Council, "to " prohibit unlicensed recruiting in any area".

planters in that place. 'This gentleman uses the word 'we' when he has occasion to speak of the planters. Thus in explaining how he deals with coolies, who complain that they cannot do the work, he says; '*We* send for them, and *we* tell them that they have been brought to this colony for doing their work; and if they do not choose to do so, they will have to do work for Government for nothing in jail; and it is left for them to choose either the one or the other!' The whole evidence of this witness shows an attitude of complete identification with the interests of the planters and of hostility to the interests of the immigrants, and it is an irony that he should have the title of Protector of Immigrants.

The other Protector I have mentioned, Mr. Hill, is of another type altogether — a very rare type, but a type that does honour to the English name. In spite of the fact that socially and in other ways his life was bound up with that of the community in whose midst he was placed, he stood up boldly in defence of the interests of the immigrants and thereby incurred the serious displeasure of the planters. And what was the result? He was removed from his office before his term had expired. He found that the mortality among the indentured population in the Straits Settlements in his time was very high, and he drew the attention of the planters to that and insisted on their carrying out strictly the terms of the ordinances concerning the health of indentured labourers. The answer of the planters was to remove him from his office, and to appoint another in his place, even before the expiry of the time for which his appointment was made. And because he was a strong man, who would not take such treatment lying down, the Colony had to pay him £2,500, being his salary for the unexpired period for which he should have held office. They paid him the full salary for the unexpired period, because they thought that that was a smaller evil to them than his being there to protect the interests of the immigrants.

The third witness, to whose evidence I call the attention of the Council, is a Magistrate from Mauritius—Mr. Bateson. I have already told you how these poor creatures are liable to be punished with hard labour for the most trivial faults—even for an impertinent word or for an impertinent gesture. Mr. Bateson speaks out strongly against this. It is impossible for me with the limited time at my disposal to read to the Council any portions of this important evidence, but I must ask Hon'ble Members to mark specially two or three of Mr. Bateson's statements. In one place, he says, 'the system resolved itself into this — that I was merely a machine for sending people to prison.' In another place he says, 'there is absolutely no chance of the coolie being able to produce any evidence in his own favour; the other coolies are afraid to give evidence; they have to work under the very employer against whom they may be called upon to give evidence.' He says

resourceless, do not stand on terms of equality with those who are well-to-do and who possess knowledge, and that a contract between two such parties is not necessarily a fair contract. The State, therefore, has a right to look into such contracts carefully, to go behind them, so to say, for the purpose, and then decide how far they should be enforced. If this is the case where only civil liability attaches to contracts, how much more should that be the case where penal liability is thrown on the party—and that the weaker party—under the contract? I therefore say that this system is altogether iniquitous. The apologists of the system, however, urge that there are safeguards provided to prevent hardship and injustices to the emigrants when they go to their respective colonies; two such safeguards are specially mentioned; one is that in every colony there is an officer known as the Protector of Immigrants, specially to look after the interests of indentured immigrants. And secondly, there are the Magistrates to give the protection of the law to the immigrants against any cruelty that may be practised on them by their employers. Sir, these safeguards look all right on paper; in actual practice, however, both are found to be more or less illusory. These men—the Protectors and the Magistrates—are officers of the Colonial Governments. They belong to the same class to which the planters belong. They are generally one in sympathy and in interests with the planters; and it is not in ordinary human nature that they should care to displease those with whom they have to live, with whom they have to mix socially,—and all this for granting protection to the poor, ignorant people from a distant land, in whom their interest is purely official. Sir, if the Council has any doubt in the matter, let it turn to the evidence that is contained in the second volume of the Sanderson Committee's Report. I invite the Council to go through the evidence of a Protector named Commander Coombs; I must also ask you to read the evidence of another witness who had once been a Protector, named Mr. Hill; and I lastly ask you to go through the evidence of a Magistrate from Mauritius, a gentleman named Mr. Bateson. Commander Coombs was Protector of Immigrants in Trinidad in the West Indies; Mr. Hill was a Protector in the Straits Settlements, that is on this side nearer home; and Mr. Bateson was a Magistrate in Mauritius. Of the three witnesses, Commander Coombs is frankly a friend of the planters; he makes no secret of the fact that he is there nominally as a Protector of the Immigrants, but really to see that they do the work for which they are taken to the colony. It comes out in the cross-examination of this gentleman that he is himself a planter, and one can easily see where his sympathies must be on account of his position as a planter. Of course he takes care to say that he himself does not employ indentured labour, but he is obviously very much alive to the difficulties of the

what better now, but they cannot be very much better under a system which has inherent characteristics such as those that I have described. Moreover, as Lord Curzon<sup>1</sup> said in this Council in 1901, 'even if such cases have occurred only in a few instances, the very fact that such cases can occur under the system constitutes a severe condemnation of the system.'

### Frightful Immorality Inseparable from the System

Sir, my fourth objection to the system is the frightful immorality that is inseparable from it. This is a fact which has been admitted by everybody, among others by the Government of India and by the Sanderson Committee. The Committee, who deal with all other phases of the indenture question, carefully avoid making any recommendation as to how the frightful immorality involved in the system may be remedied. Under the law, every hundred male indentured labourers must be accompanied by 40 females. Now very few respectable women can be got to go these long distances; our men themselves do not really care to go, much less do the women. The statutory number, therefore, is made up by the recruiters, and, as admitted by the Government of India in one of their despatches to the Secretary of State, by including in it women of admittedly loose morals, with results in the colonies which one had better leave to the imagination of the Council than describe. Sir, this frightful immorality has characterized the system from the very first. As Mr. Jenkins, who was afterwards first Agent General of Canada, said in 1870, 'the women are not recruited for any special work, and they certainly are not taken there for ornamental purposes' He also speaks of the immoral relations existing not only between many of these women and the men for whom they are taken from this country, but also between them and some of the planters themselves and their overseers. It is a shocking affair altogether, a considerable part of the population in some of these colonies being practically illegitimate in its origin.

My last objection to the system is that it is degrading to the people of India from a national point of view. I do not think I need really say much on this aspect of the question. Wherever the system exists, there the Indians are only known as coolies, no matter what their position may be. Now, Sir, there are disabilities enough in all conscience attaching to our position in this country. And I ask, why must this additional brand be put upon our brow before the rest of the civilized world? I am sure, if only the Government will exercise a little imagination and realise our feeling in the matter, it will see the necessity of abolishing the system as soon as possible.

<sup>1</sup> See footnote on p. 57.

that even if a coolie came before him with marks of physical violence on his body, it was practically impossible to convict the person charged with assaults for want of corroborative evidence. Then he says, 'it was a most painful sight to him to see people handcuffed and marched to prison in batches for the most trivial faults.' Well, I do not wish to dwell at greater length on this evidence; but those who will go through it will know what value to attach to the statement that the presence of the Magistrate in these Colonies is a safeguard to the coolies against ill-treatment. So much then about the illusory nature of the safeguards.

### Appalling Human Misery

My third objection to this system is the vast and terrible amount of suffering that it has caused during the 75 years that it has been in existence. Sir, it is difficult to speak in terms of due restraint on this point. Even the hardest heart must melt to think of this phase of the question. I will not speak now of the imprisonments with hard labour endured for trivial faults; I will not speak of personal violence which in some cases has been proved and very many cases could not be proved, though alleged. I will not speak of the bitterness engendered in the minds of thousands when they realised that they had been deceived, that they had been entrapped, and that there was no escape for them. I will not speak of the homesick feeling, destroying their interest in life. These are all serious matters that could be charged against the system. But more serious even than these is the heavy mortality that has prevailed in the past in all colonies under the system, a mortality which has been examined from time to time by Commissions of Inquiry and which has been established beyond doubt—a mortality for which indentured emigration was prohibited to Federated Malay States only last year, and which even today is admitted to exist in certain districts of Assam amongst the statute labourers. Then, the numerous suicides which have resulted from the system—poor innocent people preferring death with their own hands to life under it—are a ghastly feature of the system. And, Sir, last, but not least, the unutterable tragedy and pathos of men and women, at a distance of thousands of miles from their homes, knowing full well that the vast sea rolled between them and their native country, starting actually to walk back to their country, imagining in their simplicity and ignorance that there must be a land route somewhere, and either caught on their way and forcibly taken back to the life from which they were fleeing or else devoured by wild beasts or perishing of hunger and cold; all this, Sir, constituted a sum total of human misery which is appalling to contemplate, and which will be a standing witness against the system for all time. It is true that things are some-



in the West Indies, namely, British Guiana, Trinidad and Jamaica, and in one Dutch colony named Surinam, about which, however, under our rules I am precluded from saying anything. Then it exists in Fiji, a Crown colony in Australasia; there is also a small supply of indentured labour to the Straits Settlements; and last, there are four or five districts in the Upper Valley of Assam where the system is still in force. The annual supply to the different colonies comes to a little less than 2,000 in the case of Fiji; about 600 to Jamaica; and nearly 3,000 to Trinidad; and about 2,200 to British Guiana. In Assam the whole labour force is about 800,000, of which the indentured labourers are now only about 20,000. Now taking Assam first—and here I would like to express my obligations to the Hon'ble Mr. Clark<sup>1</sup> for his courtesy in having a note on the subject specially drawn up for me in his office, giving me up-to-date information on the subject—I understand that the Government have decided to stop the system of indenture altogether there from next year. The Hon'ble Sir Charles Bayley<sup>2</sup> stated the other day in one of his speeches in East Bengal that, from July 1st of next year, this system would cease to exist in Assam. Probably the Hon'ble Member in charge of the Department of Commerce and Industry will also make a statement on the subject today. As the system will be discontinued from next year in Assam, I do not wish to say anything more about that here. I would, however, like to point out that the Committee, appointed in 1906, recommended the complete stoppage of indentured labour in Assam in the course of five years. They would have liked to stop it earlier, but they did not want to inconvenience the planters, and therefore they suggested an interval of five years. According to that, the system should have been discontinued in 1911. And I should like to know why it has been allowed to go on for two years more. That is, however, comparatively a small matter. But, Sir, if the Government has decided to stop the system in Assam, where its working can be watched under its own eyes, I cannot see why it should be allowed to continue in the case of distant colonies, where there can be no such supervision. The position of those who urge the abolition of the system becomes now all the stronger on account of the Government contemplating its abolition in Assam.

### *Question of Re-indenture*

Then, Sir, there is the question of re-indenture in three colonies—in Natal, to which indentured emigration has now been prohibited, in Mauritius, where it has stopped of itself owing to economic

1. see foot-note 3 on p. 324.

2. Lt.-Governor, Eastern Bengal and Assam, (1911); Lt.-Governor, Bihar and Orissa, (1912); Political Agent in Bikaner; General Superintendent for suppressing Thugi and Dakaiti; Agent to the Governor-General in Central India; Resident at Hyderabad, (1905).

### Usual Arguments for the System Unconvincing

I will now turn for a moment to the arguments which are usually adduced in favour of this system. Briefly they are three. First of all it is said that without this system of indentured labour, the sugar and other industries in many of the colonies will cease to exist; the second argument is that, under the system of indenture, a certain number of Indians make remittances to this country and thus a certain amount of money is received here; and thirdly, that a number of these men, after completing their indenture, settle down in the colonies, become prosperous and attain a status which they could never attain in this country. Now, Sir, so far as the first argument is concerned, I may brush it aside at once; it does not concern us nor does it concern the Government of India, who are here to promote our interests. If the planters cannot carry on their sugar or other industries without a continuance of this pernicious system, the sooner those industries cease to exist, the better. As regards the remittances made, or the amounts brought to this country by returned emigrants, considering that these people have been for five years under indenture, the savings are really very small. The average savings brought to India are about Rs. 150 per head; in a few cases, the amount may be higher, Rs. 200 or so, but the average is about Rs. 150. Now Rs. 150, saved in five years, means only Rs. 30 a year or Rs. 2-8 a month. This is not very much after all. The mill-hands in Bombay, for instance, can save much more than that. Again, what about those who save nothing, are broken down in health and spirits, and either perish in the colonies or else are sent back to this country, mere wrecks of their former selves? Finally, as regards those who settle down in the colonies and prosper, in the first place, the number of such persons is very small; and secondly, even they have to go through a system with which are associated all the degradation and misery of which I have spoken. When these things are considered, it must be admitted that even if a few persons prosper under that system after the completion of their indenture, the price that has to be paid for such prosperity is far too great.

### Present Extent of the Evil

Sir, I will now briefly refer to the extent of this evil, as it exists at the present moment. I will not deal with the case of those colonies where indentured labour once flourished but has now been stopped. In four French colonies and one English colony it has been stopped on account of abuses; in one English colony it has been discontinued for economic reasons, and in another it has been prohibited as a measure of retaliation. But the system still prevails in three British colonies

ernment make themselves to a certain extent responsible for the representations by which these men secure recruits. Then the Magistrates, before whom the poor emigrants are taken and made to enter into agreements, are the servants of Government. The third and last point is that, though the fact about the penal nature of the contract has been carefully kept out of all agreements all these years, the Government have so far taken no steps whatever to remedy this. I would like to know from the Hon'ble Member, when he rises to reply, why this has happened, and how the Government explain their inaction in the matter. If a penal liability is not necessary to the system, I shall gladly withdraw the greater part of my objection to the system. If you are prepared to abolish the penal nature of the contract under which these labourers have to work, the rest would be comparatively a very simple question, and I shall not press this motion to a division; but, as I understand it, the penal provisions are the very essence of the system; without them the system cannot be worked. If penal liability is thus indispensable, I ask: why the Government have not taken steps all these years to see to it that this nature of the contract is explained to the emigrants before they enter into their agreements? Sir, this is really a most serious question, for whatever the Government may say, as a matter of fact, everybody in the country believes that without the countenance of Government, the system could not have gone on so long. India is the only country which supplies indentured labour at the present moment. Why should India be marked out for this degradation? The conscience of our people, unfortunately asleep too long, is now waking up to the enormity of this question, and I have no doubt that it will not rest till it has asserted itself. And I ask the Government not to make the mistake of ignoring a sentiment that is dear to us, namely, the sentiment of our self-respect. We have no doubt plenty of differences between the Government and the people in regard to the internal administration of this country; but those are matters which stand on a different footing. Outside the country, the Government of India must stand up for us on every occasion; must stand up for our dignity, for our honour, for our national pride. If they will not do this, to whom else can we turn? I feel, Sir, that though this system has been allowed to exist so long, yet its days are really numbered. It will soon cease in Assam, and then it cannot last very much longer in the case of the colonies. And I am confident that a people who have spent millions upon millions in emancipating slaves, will not long permit their own fellow-subjects to be condemned to a life which, if not one of actual slavery, is at any rate not far removed from it. Sir, I beg to move the Resolution which stands in my name.

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causes, and in Fiji, where it is still allowed to continue. This re-indenture is one of the most vicious parts of the system, because though a man may indenture himself at the start only for five years, by means of repeated re-indenture he could be kept in a state of perpetual servitude. And this has become a most serious question now in Natal. There the Government of the colony imposes an annual £3 tax on all ex-indentured labourers who want to settle there as free persons. All those who have been emancipated since 1901—males above 16, and females above 13—have to pay this £3 tax. Now see how it works in practice. Take a family of husband and wife and four children—two daughters of 13 and 15 and two boys below 13. The family must pay the tax for four persons—father, mother and the two daughters—or £12 a year, that is, £1 a month. The man can earn an average wage of about 25 shillings a month, and the wife and the two girls may earn among them about 15 shillings extra, that is, which means a total income of 40 shillings or £2 a month for the family. Of this, half or £1 has to be paid as license tax. Then there are other taxes; and there is house-rent. The Council may judge how much can remain after deducting these expenses for food and clothing for six persons. Is it any wonder that this tax has broken up homes—as has been admitted by prominent Natal men—that it has driven men to crime and women to a life of shame? Sir, there is no doubt whatever that the tax is nothing less than a diabolical device to drive the poor Indians either into re-indenture or else out of the colony. It is, therefore, a matter of the utmost importance that the Government should take the earliest possible steps to bring this miserable system of re-indenture to an end. I may mention that the Sanderson Committee has strongly recommended the stoppage of re-indenture.

### Responsibility of Government

One word more, Sir, and I will bring my remarks to a close. Sir, this is a question which really throws a great responsibility upon the Government. I am aware that the Government of India have from time to time taken up the position that they maintain an attitude of neutrality in this matter, that they do not themselves encourage indentured emigration, but that if people choose to accept certain terms and go, it is not for them to interfere. I would only ask the Council to contrast this attitude with the attitude which the Government have adopted in regard to the peasantry of the country, in legislating on lines to which I have already referred. I do not think that the Government can absolve themselves from their responsibility in this manner. In the first place, the recruiters are granted licenses to recruit by District Magistrates. That, in itself, imposes a responsibility upon the Government, because, by granting licenses to these persons, the Gov-

The report of the Committee, which the Hon'ble Member has signed, says :

We have heard from many colonial witnesses who gave evidence before the Committee that Indian emigrants, when drawn from the agricultural classes, make excellent settlers and that a large proportion do actually settle down either on the sugar and other plantations or on holdings of their own. Yet it seems doubtful whether the majority of the emigrants leaving India fully realise the conditions of the new life before them or start with the deliberate intention of making for themselves a home in a new country. They go because they are uncomfortable at home and welcome any change of circumstances. They have quarrelled with their parents or their caste fellows, or they have left their homes in search of work and have been unable to find it. Many are not recruited in their own villages. The recruiters hang about the bazars and the high roads, where they pick up loiterers and induce them to accompany them to the depots and agree to emigrate by relieving their immediate wants and by representations, no doubt often much overdrawn, of the prospects before them. The male emigrant more often than not is unaccompanied by any member of his family, and, indeed, the family is frequently not even aware that he has left the country until (possibly some years afterwards) he reopens communications. Since, except in times of scarcity or of famine, the supply of casual recruits of this kind is not likely to be large at any one place, the net of the recruiters has to be spread far afield, and we hear of their operations in Delhi, in Rajputana and in Bundelkhand, where there is certainly no congestion of population, but, on the other hand, constant complaints of insufficiency of labour both for agricultural and industrial purposes. The same is the case in Calcutta, where about one thousand emigrants are registered yearly, and still more so in Cawnpore, where the local Chamber of Commerce has on several occasions called attention to the prevailing scarcity of labour and deprecated the encouragement of emigration to the colonies.

That shows, Sir, how much these poor people know about the life to which they are going, and how far the contract is a free contract.

Then, Sir, my Hon'ble friend said that whatever abuses there might have been at one time, there were no serious abuses now. I will mention to the Council certain facts brought to the knowledge of the Committee by one of the witnesses, Mr. Fitzpatrick<sup>1</sup>, to whom Mr. Fremantle has himself referred. Mr. Fitzpatrick mentions two cases of serious abuse and they are both of them really significant of the feeling which still prevails in the colonies on the right of indentured labourers to proper treatment. Both cases, it should be remembered, were tried in Courts, and in both cases convictions were obtained. This is what Mr. Fitzpatrick says :

To put it briefly. Four overseers on Hermitage Estate, Trinidad, beat several indentured emigrants, and amongst them a woman. One of the male

1. *George Fitzpatrick*, Barr-at-Law, born in Trinidad of East Indian parents, the father being an indentured immigrant. He was appointed as a delegate by the Indian community of Trinidad, at a general meeting, to give evidence before the Sanderson Committee.

*[Replying on the debate which ensued, Gokhale spoke as follows :]*

Sir, the Council has heard two speeches against this motion, one from the Hon'ble Mr. Fremantle and the other from the Hon'ble Mr. Clark ; and I will first deal with what has fallen from Mr. Fremantle. The Hon'ble Member began by complaining—and in that complaint the Hon'ble Mr. Clark joined later on—that I had referred only in passing to the recommendations of the Sanderson Committee. Sir, it is quite true that I made only a very passing reference to the deliberations of that Committee. Shall I tell you why ? It was because I was very much disappointed with some of the recommendations of that Committee. I think the whole standpoint from which the Committee approached the question was faulty. But the responsibility for that lay with the terms of reference. The Secretary of State had appointed the committee, as the terms of his minute show, to consider

\* the general question of emigration from India to the Crown colonies, and the particular colonies in which Indian immigration may be most usefully encouraged and so on.

Thus the standpoint from which the members were invited to approach the question was not whether indentured emigration should be permitted from India but how Indian emigration should be encouraged to the Crown colonies. The Secretary of State started with the assumption, and the Committee took up the assumption, that Indian immigration was necessary for the Crown colonies, and the question to be considered was how it was to be encouraged. That being so, whatever was against indentured emigration was more or less lost sight of and whatever went to favour such emigration was prominently brought forward. Even so, there are statements in the report which go to show that if the Committee could have recommended the abolition of indenture, they would have gladly done so. One has only to read between the lines of the report to see that it is so. But being convinced that Indian emigration to the colonies was possible only under contract of indenture, and impressed with the idea that without such emigration the interests of the colonies would be jeopardized, the Committee could not but make the recommendations which it has made. Sir, the Hon'ble Member has told the Council that though the penal provisions of the contract are not stated in the agreements or explained beforehand, after all the coolies who go under the system understand what they are going to do in the colonies. This, coming from my Hon'ble friend, is surprising. Let me appeal in the matter from Mr. Fremantle, Official Member of this Council, speaking against my Resolution, to Mr. Fremantle, member of the Sanderson Committee.

emigrants? If things were really attractive there, why should not a larger number go? I remember to have read in this report (Sanderson Committee's report) an explanation as to why a few men, after coming back to India, again return to the colonies. It is because these people, having stayed for a number of years in the colonies, find it impossible to get back into their old grooves of life in India, and after spending some time here and there, and not knowing what else to do when their savings are exhausted, they again go to the colonies in a spirit of venture. The Protectors and the planters, however, do not want them. Indeed, their attitude towards such returned emigrants came out very well in the evidence of Commander Coombs. And curiously it was my Hon'ble friend, Mr. Fremantle, who in his examination of Commander Coombs, brought out the fact that Protectors and planters do not like to receive returned emigrants, as it is feared that they know the system too well and are sure to poison the minds of other emigrants on the voyage. Mr. Fremantle summed up this attitude in these words:

It sounds rather as if you wanted to keep the people who come out in the dark as to the conditions in the colony if you discourage returned immigrants.

I am therefore surprised that he should mention the fact of these 475 returned immigrants going back as a sign that the system was satisfactory.

Now, Sir, I will say a few words in reply to what the Hon'ble Mr. Clark has said. I am thankful to the Hon'ble Member for the promise that he has given of inquiring into why the fact of the penal nature of the contract is not mentioned in the agreements. I hope that the inquiry will be satisfactory and that this fact will be prominently brought out in all future agreements. The Hon'ble Member wondered how I could attach any importance to the fact that emancipated negroes scorned to come under the indenture system, and how from that I concluded that there was something servile about the system. Now, Sir, any man who goes through the third volume of the Sanderson Committee's report will see what opinion the emancipated negroes have of the system. In Jamaica there is plenty of emancipated negro labour, but the emancipated negroes required higher wages than what are paid to indentured Indians, and the planters are not willing to pay them because their profits are reduced if higher wages are paid. And what is the result? The negroes are emigrating from Jamaica. The Baptist Union of that colony has pointed out in one of its representations that the emancipated negroes there are being forced to emigrate elsewhere for want of employment. They do not get the wages they want; they cannot be satisfied with the wages offered to them; and

immigrants laid a charge of assault and battery and the overseers were fined 10 shillings each.

One of the blows received by the female immigrant was on her abdomen. She being pregnant at the time, abortion immediately took place, thus endangering her life.

The immigration authorities for so serious an offence were satisfied to lay a charge against the overseer for the minor charge of assault and battery. The Magistrate fined the accused £2 only and £3 as compensation.

The charges for beating the other two immigrants were withdrawn by the Inspector. On the 29th September, four immigrants were charged for assaulting an overseer. They were not fined but sentenced to three months' hard labour.

I will leave it to the Council, Sir, to say, after this, if there are now no abuses under the system.

Then, Sir, the Hon'ble Member says that serfdom exists even in India. If that is so, the Government should deal with that at once. I do not know of any instances of serfdom that may exist in this country. But if serfdom does exist here, by all means let it be put a stop to at once. We must distinguish, however, between the kind of serfdom that Mr. Fremantle mentions and the serfdom that the system of indenture imposes upon indentured people. In the cases which the Hon'ble Member mentions, is there the right of private arrest? Are there imprisonments with hard labour for negligence, for carelessness, for impertinence or for things of that kind? That really is the essence of my complaint about the system. The Hon'ble Member has told the Council that he could not understand why the non-official Members of the Council should make so much fuss about this matter. He did not say it in so many words, but that is what he meant. But practically the same thing was said when proposals to abolish slavery were first brought forward. The friends of the planters in the House of Commons, when the question was brought forward there, said that the slaves were contented and they could not understand why the abolitionists wanted to disturb the contentment and the harmony of their lives. The Hon'ble Member said that Indians in the colonies certainly would not thank me for bringing forward this Resolution. Sir, I am quite content that he should earn their thanks by opposing the Resolution. Be his the thanks which the champions of slavery expected to receive from those who were anxious to continue in slavery! Be mine the denunciation, with which the advocates of abolition were threatened by those champions at the hands of slaves, unwilling to be free!

One more remark of Mr. Fremantle's I must notice. He mentioned the fact that 475 returned emigrants went back again last year, as evidence of the satisfactory conditions of life that prevailed in the colonies for indentured people. But 475 out of how many returned



ment of Commerce and Industry, and the thing must have gone through the ordinary routine, some Under Secretary saying that he saw nothing objectionable in the Act, and thus the Government of India's approval must have been notified to the colony. Well, that is the way in which laws are approved, and that is also the way their operations are watched from this distance. The Hon'ble Member also said there is a provision in the statutes for complaints being heard, that the Protector goes round in many places to hear complaints. Commander Coombs tells us that he visits the estates three times in the year. And what does he do? Before he goes, he sends a notice to the manager, and when he goes round, he is accompanied by him. Under these circumstances how many people will come forward, in the presence of the planter, to lodge complaints before the Protector, who visits an estate after giving proper notice to the manager and after the manager has had time to set everything right? Sir, the whole thing is on the whole a more or less make-believe sort of thing and we cannot attach much value to it.

Referring to the argument used by the Hon'ble Sir Vilhaldas Thackersey<sup>1</sup> that India wants all her labour for herself and she cannot afford to lose those who emigrate to the colonies, the Hon'ble Member says that such emigration cannot appreciably affect the labour-supply of India. But if the reduction in the labour-supply is so small, the benefit that India gets from the remittances of emigrants is also trivial; so really both factors must be eliminated from our consideration of this matter.

The Hon'ble Member holds that the colonies are a part of the Empire, and that, though the question of their interests does not directly concern us, it cannot be left out of account altogether on Imperial grounds. Well, Sir, if the colonies are a part of the Empire, we too are a part of the Empire. But do the self-governing colonies ever take that into account? What have they ever done for us and what obligation rests on us to take the interests of the colonies into our consideration and submit on their account to conditions which, in essence, are not far removed from the servile? Moreover, if the people of India and of the colonies belong to the Empire, so do the emancipated negroes. But what happens to them? It is a heart-rending tale which is told in the appendices to the Sanderson Committee's Report—that of the manner in which these neglected people are driven to emigrate from the colonies in which they were born by want of employment.

Finally, the Hon'ble Member objects to my comparison between this system and slavery. It is true that the system is not actual

1. see foot-note on p. 213.

therefore they are compelled to emigrate from the places where they were born, and where they have spent all their lives. The Council will thus see that the emancipated negroes think that the indenture system is not good enough for them; and I am quite justified in drawing from this the conclusion that it is a system unworthy of free or even emancipated men, and I think that that is a sufficient condemnation of the system.

Then, Sir, the Hon'ble Member said that emigrants might be ignorant of the conditions under which they would have to live, when they start, but things are explained to them when they land.

What is the good of explaining things to them when they are ten thousand miles away from their houses? If they were explained before they started, then that would be something.

The Hon'ble Mr. Clark: The Hon'ble Member has misunderstood me. I said that the terms of the contract were explained to them when they were registered and again when they came to the depot before they sailed.

The Hon'ble Mr. Gokhale: I understood the Hon'ble Member to say that the things were explained to them when they reached the colonies. In any case the penal nature of the contract is not explained to them here, and that is my main argument. Then the Hon'ble Member told us that these laws of the colonies dealing with indentured labourers were laws which had received the assent of the Government of India.

The Hon'ble Mr. Clark: I am sorry to interrupt the Hon'ble Member again. Colonial laws do not receive the assent of the Government of India. What I said was that if we found that the laws and their operation were open to objection, we could always stop emigration.

The Hon'ble Mr. Gokhale: I am sorry that I was not able to hear quite clearly what the Hon'ble Member had said, and I mentioned the impression left on my mind.<sup>1</sup> However, I will mention one instance of how laws passed in the colonies are often approved by the Government of India, as a matter of course. The law in Natal which imposes the £3 annual tax on ex-indentured Indians was passed in 1895, and it was approved by the Government of India. I am quite sure that the approval could not have been deliberate. There was then no separate Depart-

1. What Mr. Clark actually said was this: "It should be remembered that emigration is permitted to no country from India, unless the Governor-General in Council is satisfied that that country has made such laws and other provisions as are sufficient for the protection of immigrants during their stay there." (Proceedings, 1911-12, Vol. I, p. 387).

## RESOURCES OF LOCAL BODIES

[ On Wednesday, 13th March 1912, Lord Hardinge, the Viceroy, presiding, Gokhale moved a Resolution in the Imperial Legislative Council recommending the appointment of a committee of officials and non-officials to inquire into the adequacy or otherwise of the resources at the disposal of Local Bodies. He spoke as follows : ]

My Lord, I beg to lay the following Resolution before this Council for its consideration :

That this Council recommends to the Governor General in Council that a committee of officials and non-officials be appointed to inquire into the adequacy or otherwise of the resources at the disposal of Local Bodies in the different Provinces for the efficient performance of the duties which have been entrusted to them, and to suggest, if necessary, how the financial position of these bodies may be improved.

I think, my Lord, I ought to state at the outset why it is that I am raising this question here today when it was one of the subjects into which the Decentralization Commission<sup>1</sup> inquired only four years ago, and when the recommendations of that body are still under the consideration of the Government of India and the Secretary of State. My reasons for adopting this course are first, that, though the Decentralization Commission went at some length into the general question of local self-government, its inquiry into this particular branch of the subject, namely, the adequacy or otherwise of the resources at the disposal of local bodies, was extremely slight ; and secondly, the very fact that the matter is at present under the consideration of the Government of India makes the present an opportune moment for raising this discussion here, because even if the Government are unable to accept this motion, it will be an advantage that the views of non-official members on this subject should be before the Government before a decision is arrived at.

My Lord, in speaking to my Resolution about District Advisory Councils the other day<sup>2</sup>, I pointed out how the reforms that have been introduced during the last five years have liberalized the character of the administration so far as the Secretary of State's Council and the Executive and Legislative Councils of the Government of India and the Provincial Governments are concerned. The district administration,

1. see foot-note 2 on p. 150.

2. 27th February 1912.

slavery, but it is also true that it is not far from it. The contract is not a free contract. You have here the right of private arrest, just as they had in the case of slavery. Moreover, the labourer is bound to his employer for five years and he cannot withdraw from the contract during that period. And there are those harsh punishments for trivial faults. Therefore, though the system cannot be called actual slavery, it is really not far removed from it.

One word, more, Sir, and I have done. The Government, it is clear, are not going to accept this Resolution. That being so, the Resolution is bound to be thrown out. But, Sir, that will not be the end of the matter. This motion, the Council may rest assured, will be brought forward again and again, till we carry it to a successful issue. It affects our national self-respect, and therefore the sooner the Government recognize the necessity of accepting it, the better it will be for all parties.

( The resolution was rejected, 22 voting *for* and 33 *against*. )

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whole position of local self-government in the country. There are altogether 717 Municipalities in the country, 197 District Boards and about 517 Sub-District Boards. There are besides about 450 small Union Committees,—389 in Madras and 61 in Bengal; but I will leave them for the present out of account. The population in municipal areas is roughly about 16 millions, which means about 7 per cent. That is the urban population, the remaining 93 per cent. being entirely rural. The highest percentage of urban population is in the Bombay Presidency, where it is 18 per cent., and the lowest in East Bengal, where it is only 2 per cent. There are no rural boards in Burma; there are only Sub-District Boards in Assam, and no District Boards. In the United Provinces the Sub-District Boards have been recently abolished, and in the Punjab they have largely disappeared. Coming to the question of revenue, and first taking the four leading Municipal Corporations of Bombay, Calcutta, Madras and Rangoon, it will be found that their total revenue is  $2\frac{1}{2}$  crores. The average revenue of the remaining 713 Municipalities is only about 55,000 rupees each. The incidence of taxation is highest in Rangoon, (and I think on this point my Hon'ble friend Mr. Gates<sup>1</sup> distinctly scores), being as high as 11-61 rupees per head; Bombay City comes next with Rs. 10 per head, Calcutta follows with Rs. 8½, and Madras comes last with a little over Rs. 3 per head. For the remaining mufassal areas, the average is about Rs. 2 per head in Bombay, Punjab, Burma and the North-West Frontier, in the Central Provinces it is 1½ rupees; in the United Provinces and Bengal it is a little over Rs. 1½, and in Madras it is only Rs. 1½. In Bombay, the United Provinces, the Punjab and the Central Provinces a large part of the municipal revenue is derived from octroi. In other Provinces there is no octroi. There is in Madras, however, a toll levied on roads, and Bombay and Assam also levy it. The principal revenue in Madras and Bengal is derived from taxes on houses and lands, Bombay, the Central Provinces and Burma also levying such taxes. In some Provinces there are taxes on professions and trades, and in all, on carts and vehicles.

The Municipal Boards have powers of taxation within certain limits with the previous sanction of the Local Government. The rural Boards have no power of taxation; they are limited to what is known as the one-anna cess. In raiyatwari areas it is levied on the Government assessment, and in other areas it is assessed on the annual rental value of land. The total revenue from taxation from Provincial rates in rural areas is about  $2\frac{1}{2}$  crores, and another  $2\frac{1}{2}$  crores is received from various sources, including a small grant from Government. This gives us an incidence of less than 4 annas per head. The Local

1. see foot-note on p. 195.

however, continues to be where it was 100 years ago, and local self-government too continues to be where it was carried by the late Marquis of Ripon<sup>1</sup> about 30 years ago; and I strongly feel, my Lord, that there must be important reforms introduced in respect of both these, in order that all parts of the administrative machinery should be brought into closer correspondence with one another. My views on the subject of district administration I have already laid before the Council. It is true that the motion was lost that day, but that does not mean that the last word on that subject has either been said or heard.

Today I propose to speak on the subject of local self-government. This subject may be considered under three heads: (1) the constitution of local bodies, (2) their powers and functions, and (3) the resources at their disposal. Of these three, the Decentralization Commission have gone in some detail into the first two, and their recommendations in regard to them are also fairly liberal, and I do not therefore wish to say anything about them on this occasion. I agree entirely with the recommendation made by the Commission that steps should now be taken to create village-panchayats in selected villages throughout India; I also agree that steps should be taken to establish what they call 'Sub-District Boards' in those Provinces where they do not at present exist. One essential condition of the success of local self-government is that those who take part in it should possess a personal knowledge of the area under their management, or, at any rate, should be able to acquire that knowledge without much difficulty. This condition can well be fulfilled in regard to villages and sub-districts; it is difficult for it to be fulfilled in regard to District Boards, as our districts are so large. Therefore, I think our real local self-government should start with villages, and stop with sub-districts; the District Boards may exercise only general supervising and co-ordinating functions, and then, if the Government choose, the other functions of an advisory character, of which I spoke the other day, might gradually be transferred to them.

### Financial Position of Local Bodies

Turning now to the question of the financial position of local bodies, with which alone I am going to deal today, I do not wish to distinguish between District Boards and Sub-District Boards for this purpose. For today's discussion, I will take them together as representing rural self-government just as municipalities represent urban local self-government. Now, my Lord, let us take a bird's-eye view of the

1. see foot-note 1 on p. 32

at least one-third of which mortality ought to be preventible with better sanitation and better water-supply. The masses of the people are sunk in dense ignorance. I do not think it is really necessary to dwell on this aspect of the question more than I have done. As I have already observed, there is practically no difference of opinion between officials and non-officials in the matter. I will, however, refer briefly to the evidence tendered on the subject by three important witnesses before the Decentralization Commission. The first witness whom I will quote is Sir Herbert Risley<sup>1</sup>, now alas no more with us. Sir Herbert Risley — we all recognized, whether we agreed with him or differed from him—always approached a question from the standpoint of a scholar and thinker, and his evidence on the subject was remarkable. This is what he says :

It must be admitted that the resources of District Boards and Municipalities are not sufficient to enable them to work up to modern standards of administration. In Municipalities this is most conspicuously the case.

The second authority that I will mention is that of the late Sir John Jenkins<sup>2</sup>, whose recent death everybody in this Council sincerely deplores, the strength and liberality of whose views it did not take us long to appreciate, and to whose high qualities your Excellency paid, if I may presume to say so, a befitting tribute only the other day. Sir John expressed himself on this question with characteristic decisiveness. He pointed out that the resources at the disposal of local bodies were exceedingly meagre, and he said that, considering that they were so meagre, it was no wonder that more interest was not felt in the work of local bodies. If local self-government was to be a success in this country, he strongly held that the resources of local bodies must be largely increased. My third authority will be my Hon'ble friend Sir James Meston<sup>3</sup>, who will soon be translated, we all rejoice to think, to a higher sphere which he is bound to adorn, and where I hope he will remember that the eyes of those who have learned to admire him in this Council will still be on him. I hope my Hon'ble friend proposes to take part in today's discussion. Only, if he does, I hope he will remember that I have got his evidence before me, and that I have the right of reply. The Hon'ble Member is very clear and emphatic in his evidence as to what is necessary. It will take time to read what he

1. see foot-note on p. 151.

2. Sir J. L. Jenkins, I. C. S., Commissioner of Customs, Bombay (1903) member, Executive Council, Bombay (1908-10); member, Viceroy's Executive Council (1910-12).

3. see foot-note on p. 162.

Boards, moreover, do not get the entire proceeds of this one-anna cess in all the Provinces. In the United Provinces one-third is taken by Government for village chaukidari police, and in the Punjab 20 per cent. has to be paid to the Government for general services. In Bengal a portion goes to the Government for public works cess, and in the Central Provinces only 5 per cent. of the land-revenue is levied as one-anna cess and goes to local bodies.

### Functions of Local Bodies

Turning now to the functions of these bodies, briefly speaking, we may say that they are the care of health, of education and of roads or communications. Enumerating them in greater detail, we find that Municipalities are entrusted first with the duties of construction, upkeep and laying of streets and roads and the provision and maintenance of public and municipal buildings; secondly, the preservation of the public health, principally with reference to sanitation, drainage, water-supply, provision of medical relief, vaccination, and measures against epidemics; and thirdly, education. And the rural Boards are entrusted with the maintenance and improvement of roads and other communications, education, especially in its primary stages, the upkeep of medical institutions, sanitation, water-supply, vaccination, veterinary work, construction and maintenance of markets, and charge of pounds and ferries. My Lord, one has only to enumerate these functions and contrast their wide range with the extremely meagre character of the resources which I have already mentioned to realise how unequal—how pitifully unequal—the resources of Local Bodies are to a proper performance of the functions which have been entrusted to them. Fortunately this point is one on which officials and non-officials are practically all agreed. The little evidence which appears on this subject in the proceedings of the Decentralization Commission goes to show that there is no substantial difference of opinion between the two. Who that takes this situation into consideration can wonder that things are as they are as regards the provision for health or sanitation, for education or for roads in the country? My Lord, only about 3 per cent. of our towns have got a filtered water-supply, and even a smaller proportion have got efficient drainage. Then in villages, in rural areas, over the greater parts of the country, good potable water is a crying want. The total number of hospitals and dispensaries in the country is less than 2,700, and disease carries away annually between 70 and 80 millions<sup>1</sup>.

1. Sir James Meston said in his reply to Gokhale: "There are in his speech two minor corrections, which perhaps I may be allowed to place before this Council. One is, I am sure, a pure slip. He described the mortality in India as 70 millions; he meant 7 millions. The other correction required was in Gokhale's assertion that land-revenue is taxation."



in England by the Royal Commission<sup>1</sup> on local taxation. My Lord, it may be said by some that after all, if local bodies wanted more money, they should tax themselves more and thus provide this money. What margin there is for such additional local taxation, what is the total incidence of Imperial and local taxation, and how far the proceeds of taxation are equitably distributed between the Central Government and local bodies, are, however, questions of great importance and require a careful examination. One thing I want to point out clearly to this Council today, and it is that it cannot be justly urged, taking the imperial and local burdens together, that the people of this country, relatively to their resources, contribute less in taxation than the people of Western countries. This is really very important, and I must therefore deal with it in some detail. My contention is that relatively to their resources the people of this country contribute the same proportion of their income as taxation, imperial and local together, that the people in leading Western countries do. There are three different systems of local self-government in the West. The first is the American system; the second is the English system; and the third is the Continental system, of which I will take France as the type. In America, the local authorities have independent revenues of their own—absolutely independent revenues. But they also enjoy complete immunity from the control of the State. As our circumstances are wholly different, the American analogy will not do for us, and therefore I will not say anything more about America. In England the local bodies derive a large part of their revenue from their own rates; then certain revenues have been made over to them by the Central Government as assigned revenues in recent times—this was carried out by Mr. (now Lord) Goschen<sup>2</sup> in 1889—and in addition they receive certain grants from the Exchequer. Thus what they raise from rates is supplemented by certain revenues known as assigned revenues and by grants from the Exchequer. In France, the local bodies derive a large part of their revenue by the simple process of being permitted to add extra centimes to the taxation which the Central Government levies from four 'Direct Contributions'; and this is a very important proportion of the resources of local authorities in France. Our system of local self-government in India is more similar to that of France, where the control of the Central Government over local authorities is much more stringent than it is in England; but as our future development will have to be more on English

1. Appointed by the British Government in 1896 with A. J. Balfour as chairman "to inquire into the system of local taxation." Its report was published during 1899-1902.

2. *George Joachim Goschen* (*Viscount Goschen*) (1831-1907), President, Poor Law Board, (1868); First Lord of the Admiralty, (1871); Ambassador at Constantinople (1880); Chancellor of the Exchequer, (1886-92); Chancellor, Oxford University, (1903).

says, but, briefly speaking, he strongly advocates that the resources at the disposal of local bodies should be largely increased. And he says, especially speaking of District Boards, that there should be quinquennial settlements made by Provincial Governments with them as to the additional revenue that should be allotted to these bodies. My last authority—last but not least—will be the present Home Member<sup>1</sup>. In a speech which he delivered some time ago in the Central Provinces, the Hon'ble Member dealt with the question as to why local self-government was not a greater success than it was, and he said that, considering the fact that the resources at the disposal of the local bodies were so extremely meagre, the surprise was not that they had not done better, but that they had done as well as they were doing. I think, my Lord, I need not adduce any more testimony on the point that the resources at the disposal of local bodies are very slender, and that, if local self-government is to be a success in this country, they ought to be largely increased. The Decentralization Commission have expressed the same opinion. Unfortunately the Commission had to inquire into a hundred different subjects, and therefore this particular subject, namely, the adequacy or otherwise of local resources, received the scantiest possible attention from them. And I feel compelled to say that the manner in which they have dealt with this question is absolutely perfunctory. They say that municipal bodies have powers of taxation; therefore they should raise extra taxation and thus meet their requirements. They did not, however, inquire into the question whether there was any margin, what was its extent and how far it could be utilised at once. In regard to rural Boards, they propose certain small measures of relief—transfer of certain charges from here to there and so forth; only one substantial suggestion they make, and that is, that the 25 per cent. supplementary grant, that is 1/16th of the proceeds of the one-anna cess roughly—which the Government have been making to rural Boards since 1905 should be increased 'if circumstances permitted.' Nothing more definite, however, than 'if circumstances permitted.' I must say that the whole question has been dealt with in a most unsatisfactory manner, considering its importance, and it is therefore that I urge that a fresh and thorough inquiry into this special subject should be ordered—an inquiry similar to what was made

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1. *Sir Reginald Henry Craddock* (1864-1937) Chief Commissioner, C. P. (1907); Home Member, Government of India. (1912-17); Lt.-Governor, Burma (1917-22); member, Royal Commission on the Superior Civil Services in India under the chairmanship of Lord Lee (1923-24); entered Parliament (1931); served as a member of the Joint Select Parliamentary Committee on Indian Constitutional Reform (1935); author of *The Dilemma in India* (1929).

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1. Sir Reginald Henry Craddock (1864-1937) Chief Commissioner, C. P. (1907); Home Member, Government of India. (1912-17); Lt.-Governor, Burma (1917-22); member, Royal Commission on the Superior Civil Services in India under the chairmanship of Lord Lee (1923-24); entered Parliament (1931); served as a member of the Joint Select Parliamentary Committee on Indian Constitutional Reform (1935); author of *The Dilemma in India* (1929).

the average income per head is taken at about £40; and the population may be taken at about 45 millions. That means a total national income of about 1,800 millions; 200 millions out of 1,800 millions means about 11 per cent. of the whole national income in England. Thus, in the year I have taken, 11 per cent. of the whole national income was contributed by the people for imperial and local purposes in the shape of taxation. In France, the income is now taken at about £30 per head, and the population is about 40 millions. The total national income is thus about 1,200 millions, out of which about 153 millions were taken for imperial and local purposes. This gives us a proportion of about 12½ per cent. for France. Now in British India our population is 230 millions. There is some difficulty as to what should be taken as our average income. There are various authorities who have given various figures. The late Mr. Digby<sup>1</sup> calculated it at only £1 per head. Our great and venerable countryman, Mr. Dadabhoy Naoroji<sup>2</sup>, calculated it at Rs. 20 per head. Lord Cromer<sup>3</sup>, with the assistance of Sir David Barbour<sup>4</sup>—himself later on one of the soundest Finance Ministers of the country, who was then Financial Secretary—calculated it at Rs. 27 per head. Lord Curzon<sup>5</sup>—for controversial purposes (and that to a certain extent reduces the value of his estimate)—estimated this average income at £2 per head. Let us, however, for argument's sake take the highest estimate—Lord Curzon's estimate. Two pounds per head for our population gives us 460 millions. Out of this national income for the whole country, our total taxation, imperial and local, for the current year is, as I have shown, about 50 millions. That gives us also a proportion of about 11 per cent. of our national income. We thus find that of the total national income about 11 per cent. is contributed in imperial and local taxation in England; about 12½ per cent. in France; and about 11 per cent. in India. When it is further remembered that the charge for the poor in England amounts to about one per cent. of the national income, and that that charge is borne privately by

1. *William Digby* (1849-1904), staunch advocate of self-government for India; secretary, British Committee, Indian National Congress (1889), and editor of its weekly organ *India*, (1890-92); editor, *Madras Times*, (1877), author of 'Prosperous' British India (1906).

2. *Dadabhai Naoroji* (1825-1917), one of the founders of the Indian National Congress and thrice its President (1886, 1893 and 1906); founder, East India Association, (1867); taught Gujarati in the University College, London; Dewan, Baroda State, (1874); member, British House of Commons, (1892); member, Welby Commission (1897); author of 'Poverty and un-British Rule in India' (1901), 'England's Duty to India', 'Financial Administration of India', etc.

3. see foot-note 2 on p. 14.

4. see foot-note 1 on p. 8,

5. see foot-note on p. 97.

lines, I think it is necessary for us to study carefully both models, the English and the French.

### Comparison of Local Bodies here and in Europe

My Lord, there are certain important differences in the functions and responsibilities of local bodies in England and France on one side and in India on the other which must be noted. In the main the functions belong to the same category, but in England and France they are much more highly developed and cover a much wider range. Moreover, in England and France local authorities have to maintain their poor, whereas in India the people do it themselves out of their own private expenditure. In Great Britain, with the exception of the Metropolis, the police charges are thrown on local bodies, the State contributing half of the cost as grant. In Ireland, however, the police charges come from the Exchequer. In France the police charges are borne by the Central Government. I mention these differences because they have to be taken into account in instituting a proper comparison. Now, my Lord, taking the figures for 1909—the figures for 1910 will not do as, owing to the rejection of the Budget by the House of Lords, a large part of the revenue did not come in during the year, and the figures for 1911 are swollen by the realization of the previous year's arrears—taking the figures for 1909, we find that in that year in England, confining ourselves strictly and solely to taxation, and excluding Post Office and such other receipts, the State raised about 130 millions. In that same year, the local authorities raised altogether from taxation, pure and simple, about 70 millions. This means a total taxation revenue of about 200 millions altogether, i.e. 130 millions central and 70 millions local. About the same time, taking the latest figures available for France, we find that the State raised about 113 millions from taxation and the local authorities—the Departments and Communes—raised by taxation about 40 millions; altogether 153 millions. In India, taking the revised estimates for the current year and omitting, from the revenue under principal heads, opium, provincial rates, and forest and tributes, we find that our revenue was about 46½ millions sterling roughly—between 46 and 47. And taking the revenue raised by taxation by local bodies for the last year, we find it was about 3½ millions—a little over 3½ millions;—thus we raised by taxation 46½ millions imperial and provincial, and 3½ millions local, or altogether about 50 millions sterling. We thus find 200 millions raised in England, 153 millions in France and 50 millions in India.

Let us now see what proportions these amounts bear to the total national income of these countries. In England at the present day,

takes a much larger proportion than what is done in England or France.

Now, my Lord, I do not say that this can be remedied at once; but some way must be found to secure a larger proportion for local bodies. There is one circumstance of a most striking character to which I must invite the attention of the Council. The total contribution from land is distributed in an altogether different manner here and in England or France. In England the bulk of the contribution that comes from land goes to local bodies, the Central Government receiving only a very small amount as land-tax. In France more than half the contribution from land goes to local bodies. For the year which I have taken into consideration, for every hundred centimes levied by the State from land, there were 130 centimes levied by the Communes and Departments together. In this country, however, the division is in the proportion of 16 to 1, that is, sixteen-seventeenths goes to the State and only one-seventeenth to local bodies. Now there we have really a very serious grievance. I know that it will be said that in this country the land belongs to the State; but after all it is only a theory, and a mere theory cannot change the character of a fact. And that fact is that the total contribution from land is distributed in India in a proportion which is most unfair to local bodies. If we could get for our local bodies a much larger share of the contribution from land, even if the proportion was not as high as in the West, most of the financial troubles of those bodies will disappear. Of course, my Lord, I do not mean that any large proportion of the land-revenue can be transferred at once to local bodies. But I urge that, in consideration of this difference, the Government should help our local bodies with large recurring grants. In any case, the whole question requires to be carefully considered. A great authority on finance, Mr Bastable<sup>1</sup>, in the chapter on local taxation in his *Public Finance*, points out that land is pre-eminently a source from which local taxation must necessarily be largely drawn; and he points out that in rural areas, there is hardly anything else from which a local revenue can be derived. This is Bastable's view and I think his authority must be acknowledged by every one. I therefore urge, my Lord, that a careful and thorough inquiry into this question is absolutely necessary, by a body of men qualified to deal with the subject, who should confine themselves to this sole and single question of the adequacy or otherwise of the resources of local bodies. The Committee should inquire into, first of all, whether the present dis-

1. Charles F. Bastable, Professor of Political Economy, Dublin University; Professor of Jurisprudence and Political Economy, Queen's College, Galway (1883-1903); author of *Theory of International Trade, Commerce of Nations, and Public Finance*.

ourselves in this country, we may put our proportion also at 13 per cent. of the whole national income. It is quite clear therefore from these figures—and they may be relied on for general purposes—that relatively to our resources we contribute the same proportion of our income in the shape of imperial and local taxation.

### Unfair Distribution of Revenue Between Imperial and Local Services

But where the trouble comes in is in its distribution. The revenue thus raised is distributed in this country much more unfavourably to local bodies than happens to be the case in England and in France. In England, as I have already explained, the local bodies had in 1909, 70 millions of their own; in addition they received in that year grants—assigned revenues and grants—from the Central Government amounting altogether to no less than 28 millions. They thus received altogether about 98 millions out of a total of 200 millions, and this, exclusive of the charges for police in Ireland and in the Metropolis. Thus the total of 200 million pounds raised by taxation was practically divided half and half between the Central Government and local authorities, the Central Government taking half for central purposes which have been described as 'onerous' purposes, and the other half going to local authorities for what are called 'beneficial' purposes. In France, in addition to the revenue raised by taxation by the local authorities, they received a little over 2 millions as grants from the Central Government. Taking into consideration these grants, as also the grants for education and the expenditure for police, we find that about 95 millions represented the expenditure of the State for central purposes out of this 153 millions, and about 58 millions represented local expenditure, including police and educational expenditure among the local, for making a uniform comparison. This gives us a proportion of about two-fifths for local and three-fifths for the State. In India it will be found that, even including the Government expenditure on police, education and medical relief in local expenditure—I include the police in India among 'beneficial' services with considerable hesitation—we still find that the Central Government took last year about 40 millions out of a total of 50 millions for its own purposes, *i.e.* four-fifths; of the remaining 10 millions, too, more than one-half—nearly two-thirds—was administered by the State itself, only a little less than one-half being administered locally. Here then is the real root of our trouble. It is not that we pay less for imperial and local purposes, but that what we pay is distributed so unequally between imperial and local services in this country. The Central Government here



{ *Replying on the debate which ensued, Gokhale spoke as follows :* }

My Lord, I was glad to hear the assurance which the Hon'ble Sir James Meston gave that the Government will consider the opinions expressed in the course of this debate in passing final orders on the recommendations of the Decentralization Commission. The delay in passing such orders has already been very considerable, and I hope the question will be dealt with very early now. Of course, we know that the wheels of the Government do grind slowly; only I am not sure that they grind 'exceeding small.' However, I sincerely trust we shall not have to wait very much longer now.

As regards the question of land revenue—whether it was rent or tax, and whether I was right in including it among the proceeds of taxation—the Hon'ble Member has raised again the old controversy to which by anticipation I had briefly referred. I will, however, mention in this matter a great authority on the subject—an authority which I hope will satisfy even the Hon'ble Member. One of the most distinguished Finance Ministers that the Civil Service ever gave to India was Sir David Barbour. Now, Sir David Barbour, as I have already stated, assisted Lord Cromer in his inquiry into the income in India per head, an inquiry which was made in the early eighties. The report, setting forth the final conclusions of that inquiry, has been treated by Government, curiously enough, as a confidential document. On several occasions a demand was made in the House of Commons for the production of that report, but the Secretary of State invariably resisted it on the ground that the papers were confidential. By an extraordinary chance, however, I came across a copy of this report in the Imperial Records—I found it among a heap of books in a neglected corner. On the outside the volume had nothing to indicate that it was of a confidential character; inside, however, the word 'Confidential' was printed in a corner. I asked the librarian, as the book was there among other books, if I could use it, and he said I could, as well as any other book in the room! Now in that report, Sir David Barbour gives his deliberate opinion that our land-revenue must be included among the contributions made by the people, and he gives most excellent grounds for that opinion. He says: the only question that has to be considered is, of the total wealth produced by the community, how much is required by the Government for the purposes of administration? It is quite clear that if the Government did not take this land-revenue from the people, it would remain with the community and would fructify in its pockets. In that respect land-revenue stands precisely on the same level as the proceeds of the salt-tax

tribution of resources between the Imperial Government and the local bodies is a fair one; secondly, in what ways the Central Government can come to the assistance of the local bodies—whether any revenues can be assigned as is done in England, and, if so, what; to what extent steadily increasing recurring grants-in-aid can be made from the Imperial Exchequer to the local bodies; and whether there is any margin for additional local taxation, and, if so, to what extent. I, for instance, would revive octroi in Bengal and Madras. The theoretical objections against octroi will, I think, not do in this country at our present stage. If you disallow octroi, you shut out an important and fairly large source of revenue for our local bodies. My Lord, I urge this inquiry because the whole future of our local self-government depends upon this. It is freely admitted by every one—by the Government and by the non-official public alike—that there can be no more potent instrument of political education for the mass of our people than local self-government. It is on this account, as also because the interests of health, education and communications, which are in the charge of local bodies, are of the utmost importance to the community, that I urge a sympathetic examination of this question. My Lord, the Hon'ble the Finance Minister<sup>1</sup> told us, the other day—he said he was committing an indiscretion, but the country is grateful to him for that indiscretion—that, in one of the first conversations he had with your Excellency, you stated to him that it was your earnest desire specially to promote the interests of education and sanitation in this country during your administration. My Lord, there can be no nobler gift bestowed on humanity than the two gifts of health and knowledge. We all fervently pray that your Excellency may be enabled to realise this ambition of your heart. But if the ambition is to be realised, it can only be by strengthening the financial position of local bodies, because both sanitation and education can be promoted in the land only through the instrumentality of local bodies. I, therefore, earnestly trust that the Government will direct an inquiry such as I have proposed. The question is a very large one, and it has got to be dealt with in a large way. Unless it is so dealt with, unless local bodies are enabled to discharge the functions which have been entrusted to them properly, not only will local self-government prove a failure, but those great interests, those sacred interests, which have been made over to them—the interests of health and education—will also suffer.

My Lord, I move the Resolution which stands in my name.

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1. see foot-note on p. 296.

proceeds of our total taxation between imperial and local is a matter that principally concerns the Imperial Government and not the Provincial Governments, who, I am sure, will be simply glad to pass on to the local bodies the money that the Imperial Government may place at their disposal for the purpose. Moreover, your theory is that all the revenue belongs to the Imperial Government and the money that goes to the Provincial Governments is placed by you at their disposal as your agents. If you claim that, the responsibility also to find all the money required rests on you. I can assure the Hon'ble Member that if he is able to place recurring grants intended for local bodies at the disposal of the Local Governments, they will only be too glad to pass on these grants to local bodies. Therefore, action must be taken here by the Imperial Government and not by the Local Governments.

Then the Hon'ble Member says that recently grants have been given for sanitation. Yes, but they are non-recurring grants. You may give non-recurring grants from time to time whenever you are in a mood to do so. What I want is large recurring grants regularly provided out of the Budget for local bodies. The provision should be independent of what the state of the finances may be—prosperous or otherwise. I shall not object to additional taxation if necessary in order that this provision might be made. Education, sanitation and communications are services that require to be looked after quite as well as those that the Imperial Government has taken charge of. The Hon'ble Member says that if a committee is appointed, the members might look to the requirements of the local bodies, and the requirements of the Imperial Government might be left out. But all the six or seven members of the Imperial Government are constantly there and have been there, all these years, to think of the requirements of the Imperial Government. Only these two years a member has been put into this charmed circle to think about local bodies and their position. The influence of this new Department is already seen in the increased grants that we have received for education and sanitation during the last two years. I am glad that the Hon'ble Member in charge of Education and Sanitation is now there to put continued pressure on the Finance Department. All the other members, however, are there every day to think solely of the Imperial requirements. *My Lord, it is the local requirements that in the present scheme of things have no great chance of being considered. I therefore urge that Government should appoint a body to make an inquiry not into a hundred subjects, but into this one sole single subject. I am quite sure that some day or other the Hon'ble Member will have to make an inquiry, and then even the*

or any other taxes, and therefore in estimating the total contribution of the people for the expenses of the Government, land-revenue, he says, must be included.

My Hon'ble friend also said that if once the principle of regular grants was introduced, there was danger of local bodies pressing Government for more and more money, and that would be irresponsible finance. I will tell the Hon'ble Member a little story by way of answer to that. A little child that has to trudge a long way to school asked its father once to give it a penny for a bus ride. The father, however, tried to point out that children that drove in carriages were also discontented, that they aspire to drive in taxis and motors, and that it was therefore best to resist his request for a penny for a bus ride. My Lord, we are not even at the beginning of the system of grants-in-aid; when we get substantial grants, I think it will be time enough for the Government to talk of the possible abuses of the system. Moreover, the Hon'ble Member forgets that there is an important safeguard against any such abuse in this country. In England a private Member has plenty of influence: here we can only bring up questions for discussion, and until the constitution of this Council is remodelled, the Finance Department, I am quite sure, in spite of what the Hon'ble Sir Guy Fleetwood Wilson said at the end of his speech, can well go to sleep. They have nothing to fear from us, poor non-official members of this Council!

One more remark of the Hon'ble Member I must notice, namely, that the additional centimes in France were demoralising. I have no personal knowledge of that, but I am not quite convinced that the Hon'ble Member is right. Our one-anna cess is already in the nature of 'additional centimes,' and the Government had no objection to that. If you will not have this provision of centimes, you will have to depend upon grants-in-aid or assigned revenues. How else were our rural bodies to derive their revenue? Either the one or the other way must be adopted, or else, let it be said straight off that no more money could be found for local bodies. Now, as has been pointed out by Bastable, land is the only source from which rural bodies can derive the bulk of their income. But in this country land is already taxed up to the hilt, and therefore, unless the Government comes forward to make a liberal contribution to the local bodies, I do not see any other way in which local bodies can be really helped.

As regards what has fallen from the Finance Minister, it is quite true that there are Provincial Governments intervening between the Government of India and the local bodies. But the distribution of the

## GOLD CURRENCY

[On Friday, the 22nd March 1913, Lord Hardinge, the Viceroy, presiding, Sir Vithaldas Thackersey moved a Resolution in the Imperial Legislative Council recommending the throwing open of Indian mints to the free coinage of gold. Gokhale, in supporting the Resolution, spoke as follows :]

My Lord, I beg to support this Resolution. My Hon'ble friend Sir Vithaldas Thackersey has referred to certain remarks which I had made on this subject in this Council a few years ago, and he has invited me today to develop my view still further. I do not know that there is much to develop, but I will briefly state what I think of one aspect—an important aspect—of the matter. In dealing with the question of high prices in 1908-1909, I had to give some thought to this question of the coinage of rupees and this was how I expressed my views on the occasion ;

It seems to me that the only way now out of our difficulties is to follow the example of France and the United States, and while admitting the rupee to unlimited tender, stop the coinage of new rupees and coin gold pieces instead. Of course I express this opinion with great diffidence, for there are serious considerations on the other side and the whole subject is enveloped in great obscurity. But I fear that the present half-way house will not do, and unless we place our currency on an automatic and self adjusting basis, the clouds that are already overhead will thicken and not roll away<sup>1</sup>

The clouds that I specially referred to were clouds of high prices and also of certain apprehensions in connection with the adequacy or otherwise of our gold standard reserve to maintain the level of exchange. My Lord, so far as the question of prices is concerned, that is a matter which is under some sort of inquiry at present, and I do not therefore want to go into it at any length. The fact that there are no additions made during the last three years to our total silver currency has undoubtedly tended to ease the situation as regards prices. But if we are again on the eve of large additions to our silver currency, I fear the question will be further complicated and the complications might possibly grow most serious. The view that I take of this matter is briefly this. The quantitative theory of money, as every student of political economy knows, holds good in the case of backward countries like India, much more than in the case of advanced countries which have a highly developed system of credit instruments. Now, in that view of things, prices are a function, to use a mathematical phrase, of three variables; they depend upon three factors—the volume of currency, the supply of commodities, and the demand for commodities. Any two factors being the same, they vary with the third factor, either directly or inversely, as the relation may be. For instance, they vary

1. see p. 144.

juggler's illustration<sup>1</sup> may come true. But considering the assurance which has been given by the Finance Department, namely, that the views expressed today will receive consideration when disposing of this question, I am content not to press this Resolution today and I therefore beg to withdraw it.

( The resolution was withdrawn. )

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1. The Finance Member had said towards the end of his speech ; "Whenever Mr. Gokhale advocates a policy to which he attaches much importance, I am irresistibly reminded of the Indian juggler who sows a mango seed in a flower pot and covers it over with a cloth. In an extraordinarily brief space of time he removes the cloth, and behold there is a goodly mango tree in full bearing. So it is with Mr. Gokhale. He advocates a certain reform. We give him the mild answer which turneth away wrath, and we think we have before us an appreciable breathing time. But Mr. Gokhale has sown his little seed in his little flower pot ; he has covered it over with his little cloth, and within an incredibly short space of time he removes his little cloth and presents to our astonished vision a tree bearing, not only leaves, not only buds and flowers, but a goodly crop of wholesome fruit."

volume of currency redundant. If we had a gold currency in place of the present artificial silver currency, when there is a redundancy, the people could re-melt gold coins into bullion or export gold coins without loss; but the rupee being what it is, the people cannot melt or export it, because of the difference between its token and intrinsic values, and every rupee coined remains as a net addition to the currency. It has been estimated that an average of about three crores of rupees used to be melted annually by the people under the old system for purposes of ornaments, etc. Where the cost of carrying bullion from the ports into the interior exceeded the slight loss that was incurred by melting rupees, people melted rupees. And the present disability will remain as long as our currency remains artificial. As a matter of fact, those who suggested that our currency should be placed on its present basis had foreseen this, and they had recommended that the present should only be a temporary arrangement. The Fowler Committee<sup>1</sup> and other authorities have advocated a gold standard and gold currency, not a silver currency, as the permanent arrangement for this country. The time has come when we should consider whether we should not enter on the next stage of our currency policy and go in for the coinage of gold pieces, admitting silver, however, for the present to unlimited legal tender. But a time must come when silver will have to be restricted in amount as legal tender, and gold will then have to be the principal coin of the country. My Lord, I support this Resolution.

(The resolution was withdrawn, after the Finance Member had replied that the matter was under the consideration of the Secretary of State, and that no one would be more gratified than himself if the Secretary of State's decision met the wishes of the mover of the resolution.)

## GOLD STANDARD RESERVE

[On Friday, 22nd March 1912, Lord Hardinge, the Viceroy, presiding, Sir Vilhaldus Thackersey moved a resolution recommending that a substantial portion of the Gold Standard Reserve be held in gold in India. Gokhale supported the resolution in the following words:]

My Lord, I wish to express my entire concurrence with my Hon'ble friend in all he has said. He has stated the case with that clearness and practical ability which always distinguish his utterances, and I do not think anything more need be added to what he has said. I heartily support his Resolution.

(Sir Vilhaldus Thackersey's resolution was rejected, 24 voting for and 33 against.)

1. see last note on p. 114.

directly with the volume of currency; they also vary directly with the demand for commodities; and they vary inversely with the supply of commodities. Now, assuming for the moment that the demand and supply continue normal, prices will vary according to the volume of currency. Of course it takes a fairly long period for these adjustments to take place, but I am stating only the tendency of things. Whether the total volume of currency that exists in circulation at any particular moment is adequate or otherwise depends upon a number of considerations, the demands of new industrial developments in the country, increases in production, increased facilities for exchange and various other factor of that kind. But I am not going into that just now; I am simply considering the single phenomenon of prices in relation to the volume of currency, leaving everything else out as normal. Now, what is the difference if you have an automatic self-adjusting currency such as we may have with gold or we had with silver before the year 1893, and the kind of artificial currency that we have at present? Situated as India is, you will always require, to meet the demands of trade, the coinage of a certain number of gold or silver pieces, as the case may be, during the exports season, that is for six months in the year. When the export season is brisk, money has to be sent into the interior to purchase commodities. That is a factor common to both situations whether you have an artificial automatic gold currency as now or a silver currency. But the difference is this. During the remaining six months of the slack season there is undoubtedly experienced a redundancy of currency, and under a self-adjusting automatic system there are three outlets for this redundancy to work itself off. The coins that are superfluous may either come back to the banks and to the coffers of Government; or they may be exported, or they may be melted by people for purposes of consumption for other wants. But where you have no self-adjusting and automatic currency, where the coin is an artificial token of currency such as our rupee is at the present moment, two out of three of these outlets are stopped. You cannot export the rupee without heavy loss, you cannot melt the rupee without heavy loss, and consequently the extra coins must return to the banks and the coffers of Government, or they must be absorbed by the people. In the latter case, the situation is like that of a soil which is water-logged, which has no efficient drainage, and the moisture from which cannot be removed. In this country the facilities for banking are very inadequate, and therefore our money does not swiftly flow back to the banks or Government treasuries. Consequently the extra money that is sent into the interior often gathers here and there like pools of water, turning the whole soil into a marsh. I believe the fact cannot be gainsaid that the stopping of two outlets out of three tends to raise prices by making the



sidency are duly grateful. It is also a pleasure to us to acknowledge the devoted efforts which many officers of Government, especially many District Officers, have made to save life and mitigate suffering. May I, in this connection, though I am not directly connected with his Division, offer my respectful tribute of admiration to the Hon. Mr. Lely, Commissioner of the Northern Division, for the splendid exertions which he has, by all accounts, throughout made to soften the rigour of the calamity which has so largely overtaken the people of his Division. I hope, though I have heard nothing on this point one way or the other, that the Commissioner of my own Division was not behindhand in pleading for indulgence and generosity in the treatment of the people belonging to his Division. But while the non-official public is glad to express its cordial appreciation of the devoted labours of many Government officers, and while we are by no means unmindful of the large amount of relief which Government have bestowed on hundreds of thousands of helpless human beings, I feel bound to say that, owing to the excessive rigidity of the system of relief adopted, the overzeal in the wrong direction of the several subordinate officials and such other causes, the actual administration of relief has not been as satisfactory as it might otherwise have been, or as Government themselves must have wished.

### Harsh Famine Relief Administration

Excessive concentration of labour on large relief works, excessive rigour in adhering to the provisions of the Famine Code, excessive tasking and excessive fining<sup>1</sup> — these have, in several places, largely interfered with the effectiveness of the relief which Government intended the relief works to afford. Then gratuitous relief has been given in this Presidency on too restricted a scale. Lastly, in the matter of revenue collections, far less liberality has been shown to the stricken people here than they had a right to expect at the hands of the State, and in some cases unjustifiably harsh methods have been resorted to, mainly by overzealous subordinates, for realizing the Government dues. In offering this criticism I do not rely on mere general impressions, or the statements in newspapers. I respectfully ask leave to appeal to the testimony of figures. My Lord, last month a very interesting volume was presented to Parliament by command of Her Majesty, dealing with Famine Relief operations in British India during 1899-1900. This volume contains monthly reports made by the

1. The Famine Relief Code, as it was in force at the time, authorised the infliction of fines for short work if this was due to wilfulness and not to weakness.

## Sec. II : Bombay Legislative Council

### FINANCIAL STATEMENT, 1900-1901

*( Gokhale was elected to the Bombay Legislative Council by the District Local Boards of the Central Division in 1899. At a meeting of the Council held on Friday, the 24th August 1900, Lord Northcote, the Governor, presiding, Gokhale delivered the following speech on the Financial Statement for the year 1900-1901 : )*

Your Excellency,—Before venturing to offer a few observations in connection with the Financial Statement before us, I desire very respectfully to associate myself with what has fallen from your Excellency and the honourable members who have preceded me, about the great loss which the Administration of this Presidency has sustained in the sad and terribly sudden death of Mr. Nugent. It is a mournful reflection that almost the last work of Mr. Nugent's hands was this Financial Statement, for considering which the Council has met today. The Statement taken as a whole is a full and fair statement of the financial position of the Presidency, and it breathes in many of its passages a spirit of large-hearted sympathy with the distressed poor, which calls for our grateful recognition. We shall miss in the discussion of this statement Mr. Nugent's clear and vigorous grasp of principles, his quaint humour, his directness and force. The loss of so able and devoted a public servant is bound to be felt at all times; but, at this juncture, it is nothing less than a public calamity, when the Presidency has not yet emerged from a famine of terrible severity, and when its finances needed more than ever the guidance of his experienced hands. However, the Service of which Mr. Nugent was so distinguished a member is not poor in men of his calibre, and we have every confidence that his successor will deal with the situation in a generous spirit, and in a manner which will earn for the Government the abiding gratitude of the people.

#### Four Years of Frightful Suffering

My Lord, the last four years have been years of frightful sufferings for the greater portion of this Presidency. Famine and plague, plague and famine, these have been our lot almost without intermission. It is admitted, on all hands, that the last famine was absolutely unparalleled in its extent and intensity even in this famine-frequented land. Government have no doubt done much to relieve the situation, and for all that they have done the people of this Pre-

During the same period the Government of the Central Provinces relieved a total of 114·6 million units of workers, 12·3 million units of dependants and 41 million units of those who were in receipt of relief in poor houses or villages, or a grand total of 167·9 million units, the population of the affected area during this time being 8·4 millions. The Bombay Government spent 72·65 lakhs of rupees in relieving 83 million units of workers, which gives for Bombay a rate of 87·5 rupees per thousand units of workers. The expenditure incurred by the Central Provinces Government on the relief of 114·6 million units of workers was 86·3 lakhs of rupees, which gives a ratio of 75·3 rupees per thousand units of workers. But during this period the average prices of the cheapest staple grains in the affected portions of Bombay were about 25 per cent. higher than in the corresponding portions of the Central Provinces. The average in Bombay was throughout these four months a little less than 18 lbs. to the rupee—I take it at 18 lbs. The average price in the Central Provinces was between 22 and 23 lbs. a rupee—I take it at 22 lbs. This shows that the average price in Bombay was 22 per cent. higher than in the Central Provinces; 75·3 rupees in the Central Provinces were, therefore, equal to 91·5 rupees in Bombay, which means that the Bombay scale of expenditure on workers was Rs. 4 per thousand units less than in the Central Provinces.

I think that these Rs. 4 per thousand units practically represent the amount of fines levied in this Presidency over the standard of the Central Provinces. This, however, does not state the whole difference for, as the last Famine Commission observed in paragraph 363 of their Report, the Bombay figures of direct relief expenditure probably include cost of hutting, and it does not appear that the Central Provinces figures include that cost. Moreover, even if the figures for both Provinces included the cost of hutting, this cost would be much larger in Bombay owing to its relying, till recently, almost exclusively on large works, whereas in the Central Provinces a large resort to small relief works has been a prominent feature of the relief administration. One useful test on this point is supplied by the number of dependants, mostly non-working children, relieved gratuitously on relief works. In Bombay such dependants formed 20·2 per cent. of the total units relieved during the four months, as against 7·4 per cent. in the Central Provinces, thus showing that many more mothers lived on relief works with their children in Bombay than was the case in the Central Provinces. Another important point of difference between the two administrations is the comparatively small number of persons gratuitously relieved in poor houses or villages in Bombay. I find that, while in the Central Provinces 41 million units out of a total of 167·9 million units, or practically 1, were so relieved, in Bombay only

several Governments to the Supreme Government on Famine Relief operations in their respective provinces. These reports, available to the people of India only after they have been published at a distance of six thousand miles, bring down the narrative of Famine Relief to the end of March last, except in the case of Bombay, whose last report published in the Blue-Book is for February, 1900. The Famine notifications, however, published week after week in the *Bombay Government Gazette*, give much of the information contained in these Reports to the Government of India. And, indeed, so far as the numbers relieved and sums expended on relief in Bombay are concerned, I have compiled my figures from the weekly notifications in the *Bombay Government Gazette*, and not from the incomplete reports published in the Blue-Book.

### Famine Relief in Bombay and C. P. Compared

I have taken the period of eighteen weeks from 25th November to 31st March for purposes of my analysis and comparison, because it is only for this period that the Bombay Government have published figures of expenditure incurred on famine relief in their weekly notifications. This period is a fair one for comparison also for two other reasons — first, that it includes one month of the time prior to the issue of Mr. Holderness' December circular, which, whatever may have been the intentions of the Government of India, was certainly unfortunately worded, and was issued at an unfortunate moment; secondly, that the period is separated by a considerable interval from the month of May, when that fearful outbreak of cholera in Gujarat and elsewhere carried off thousands and tens of thousands, and practically upset the greater part of the machinery of relief. Now, my Lord, let us see how this dire visitation was dealt with in Bombay and the Central Provinces during this period. I take the Central Provinces for comparison, because, like Bombay, those Provinces had suffered from famine only two years previously. Such a comparison is also fair by reason of a general similarity of conditions in the two provinces as regards the life and habits of the people in ordinary times, as also in reference to the extent and severity of the famine of last year. And what are the results of the comparison? I find that, during this period of eighteen weeks, the Bombay Government relieved a total of 83 million units of workers, 22.8 million units of dependants, and 6.7 million units of persons in receipt of gratuitous relief in poor houses or villages, or a grand total of 112.5 million units, the population of the affected area during this time being 10 millions.

1. see foot-note on p. 24.

the four months 10·9 million units of workers at an average cost of Rs. 93·2 per thousand units, which rate compares very favourably with Rs. 87·5 for the whole Presidency. This is all the more satisfactory, since prices in Sholapur were during the period a little lower than 18 lbs. a rupee, which was the average for the whole famine area of the Presidency. During this same period Ahmednagar relieved 12·9 million units of workers at an average cost of close upon Rs. 87 per thousand units. Khandesh relieved 21·5 million units of workers, and here also the average rate of expenditure for the Presidency was nearly maintained, which is somewhat surprising, seeing that at one time there were numerous complaints about excessive fines being imposed in this district. Next comes Poona which relieved 3·6 million units of workers at an average cost of Rs. 79·7 per thousand units, which is a very unsatisfactory result. Nasik was still worse, relieving 6 million units of workers at an average cost of Rs. 72·4 per thousand units, but in this District prices were generally lower than the average of 18 lbs. to the rupee, and this is to a certain extent a counterbalancing consideration. The most unsatisfactory figures in this respect are for Satara, which relieved 2·15 million units of workers at a cost of Rs. 71·7 per thousand units, a result which clearly shows that the complaints frequently coming from this District that excessive fining was going on on relief works were substantially correct. As regards gratuitous relief in poor houses and villages, Poona stands first, 11 per cent. of its total units being thus relieved, and Sholapur and Nagar come next with 8 per cent., all these three Districts being above the average for the Presidency. But the percentages for Khandesh, Nasik and Satara are most unsatisfactory, Khandesh relieving in poor houses and villages only 3 per cent. of its total units, and Nasik and Satara not more than one per cent. each.

### Suspensions and Remissions : Bombay Compares unfavourably with C. P.

I now pass to the question of suspensions and remissions of land revenue. Here again Bombay compares very unfavourably with the Central Provinces. *The Famine Commission<sup>1</sup> of 1878 has strongly recommended that "suspensions ought to be liberally given to all but the wealthier individuals and those who from exceptional advantages have escaped the general failure of the crops, and that great care must be taken that the granting of this relief is not unduly delayed while enquiries are being carried on into the claims and circumstances of individuals."*

1. The Commission appointed by the Government of India with General R. Strachey as President to inquire into the problems of Indian Famines (1878).

6·7 million units out of a total of 112·5 million units, or only 6 per cent. were so relieved. Of course, this great difference is partly due to the larger number of non-working children relieved on relief works in Bombay. Still the fact remains that a much larger proportion was relieved in the Central Provinces without having to put up with all those hardships and discomforts and risks to health which are inseparable from residence in large relief camps than was the case in Bombay. My Lord, these are not very satisfactory figures, and to one who would like to see his Presidency ahead of all other provinces in such matters, they are somewhat disappointing.

I have no wish to establish a direct connection between these different figures, and the different rates of mortality that have prevailed in the famine areas of the two provinces during the time. Still the mortality returns are striking. And, with your Excellency's permission, I will merely mention them to the Council. The Central Provinces Report for December gives figures for all the 18 districts, and we find that in 15 of them the mortality was below 2·5 per mille, in one it was below 3, and in two it was below 3·5. The Bombay Report for December gives the rates for only 5 districts, and we find that in none of them is the mortality below 2·5 per mille. In one it is 2·53, in one 3·22, in one 4·79, and in the remaining two between 5·5 and 6. In January we find that twelve districts out of 18 in the Central Provinces have a mortality below 2·5 per mille. In four it is between 2·5 and 3, in one it is 3·14, and in one it is 4·95. The Bombay Report for January gives figures for 15 districts, from which we see that in three districts the mortality was below 2·5 per mille, in two it was between 2·5 and 3, in three between 3 and 4, in two between 4 and 5, in two between 5 and 6, in one it was 8·4, and in two it was between 9 and 10. In February nine districts in the Central Provinces had a mortality rate below 2·5; four had a rate below 3, four others between 3 and 4, and one had a rate of 6. In Bombay out of the 13 districts for which figures are given, four are below 2·5, three are between 3 and 4, three between 4 and 5, one has 5·95, one has 7·9, and one has 12·58 per mille. There is no report for March from the Bombay Government in the Blue-Book, and it is, therefore, not possible to continue the comparison further. It should be remembered that this very high mortality in Bombay was long before the fearful outbreak of cholera in Gujarat and other places in April and May last.

#### Famine Relief in Central Division

Coming now to my own Division, I find that Sholapur more than maintains the average expenditure for the Bombay Presidency for relieving one thousand units of workers. Sholapur relieved during

Commission has expressly deprecated inquiries into the means and circumstances of individuals, has also expressly pointed out the risks of corruption and high-handedness inseparable from such inquiries, and has expressed its preference for making failure of crops over large areas the standard of granting suspensions instead of the inability of individual holders to pay the revenue demand. And there is no doubt that a liberal policy on these lines is bound to confer great relief on those who stand in need of it. And the State practically runs no risk in granting suspensions on these lines, for those who are well-to-do will find it impossible to escape payment when better times come, and those who are not well-to-do are entitled to these suspensions even according to the present policy of Government. Government may without difficulty raise short-term loans to take the place of the suspended revenue, and may, if necessary, charge interest on all suspended amounts. Such a policy will be more in keeping with the immemorial practice and traditions in this country, and more in harmony with the notions and feelings of the people on the subject. The present standard of Government based on an inquiry into each individual's ability to pay is so arbitrary in its nature, and leaves such a dangerously wide margin of discretion to subordinates, that it inevitably gives rise to great discontent, and needlessly earns for the Government a bad name which it does not deserve. The principle that only those who are able to pay should pay, and that no one should be forced to borrow for paying the land revenue looks very well on paper. But several instances which have recently come to light have illustrated how such a principle is apt to be worked in practice. I understand that the Collector of Khandesh issued orders last November or December directing that the expression "should not be forced to borrow" was to be interpreted as meaning "should not be forced to borrow to such an extent as to involve the borrower hopelessly in debt." He also, I understand, ordered that whenever lands were mortgaged, if the survey-holder failed to pay the assessment, it should be realized from the mortgagee, whether he was in possession or not. Now anybody can see that this method of realising the assessment may nominally relieve the agriculturist for the moment; but, in reality, it compels him to borrow, and that at a ruinous rate of interest, for the payment of land revenue; for the mortgagee, as a matter of course, adds whatever he pays to the State in this connection to the loan which he has already advanced to the agriculturist, and charges a high rate of interest for it into the bargain. Government have deprecated the payment of land revenue out of tagai advances, and they have recently issued orders calling upon revenue officers to see that no revenue is realized out of such advances. But such payment would, in my opinion, be much better for the poor ryot

Now the Bombay Government, I fear, have in this matter precisely done what the Commission recommended should not be done, and they have not done that which the Commission recommended should be done, viz., they have not granted suspensions in a liberal spirit, and where they have been granted, they have been delayed so long on the score of making inquiries into the means and circumstances of individuals that they have thereby lost most of their value and nearly all their grace. In the monthly reports published in the Blue-Book to which I have already referred, there is a column for showing how much land revenue has been suspended upto the end of the period under report. Now I find that the Central Provinces Report for January shows the sum of 18.5 lakhs of rupees as already suspended. In the corresponding column of the Bombay Report there is no entry. The February Report for the Central Provinces reports the figure of 18.5 lakhs. But the March Report shows these suspensions at 21.64 lakhs. In the case of Bombay there is no report for March published in this volume, and in the Report for February the column for suspensions is again left blank. Even the Punjab Reports show 12.6 lakhs as suspended in December. This figure stands at 20.3 lakhs in the January Report and at 20.5 lakhs in the March Report. Finally, in the Viceroy's telegram to the Secretary of State, dated 2nd July 1900, it is stated that 60 lakhs of land revenue have been suspended in the Central Provinces out of a total demand for 86 lakhs; while in the Punjab the suspensions are described as "very large." In the Financial Statement before us it is indeed stated that a demand for 84 lakhs has been suspended in this Presidency, but it is not clear whether this sum represents suspensions out of last year's demand only, or whether it includes the arrears of previous years unrealized during the last year. These arrears stood at the beginning of the last year at 14 lakhs, and as, in a letter from the Bombay Government to the Government of India, dated 13th January 1900, published in this Blue-Book, the estimates of probable suspensions are put down at 71 lakhs, there is reason to fear that the 84 lakhs mentioned in the Financial Statement may include the unrealized arrears of previous years. However, I hope my fear is ungrounded. But even then the proportion of suspensions granted to the total land revenue of this Presidency is very meagre compared with the proportion in the Central Provinces, though it is undoubtedly much greater than was the case in the famine of 1896-97 in this Presidency.

#### • Illiberal Implementation of Famine Commission's Recommendations

Now, my Lord, I have never been able to understand why the Bombay Government should be so reluctant to give generous effect to the recommendations of the Famine Commission in this respect. The



## Frequency of Famine in the Deccan

There was not, for the Division taken as a whole, a single year above the average during the period. Coming to the several Districts of the Division we find that Khandesh had six average years, two years below the average, one year of famine and one of severe famine. In Nasik it has been the same thing, namely, six average years, two years below the average and two severe famines. Nagar has been worse off with only three average years, five years below the average and two years of severe famine. Poona has been still more unfortunate. Here we have had only three average years out of ten, with four years below the average, one year of partial scarcity, and two years of severe famine. In Sholapur two years have been above the average, two average and two below the average, with two years of scarcity and two of severe famine. In Satara three years have been above the average, two average and three below the average, with two years of severe famine. So far, therefore, as this period of ten years is concerned, it is a myth pure and simple to say that good years balance bad years in the Deccan, and leave a fair average for all years all through. This period of ten years may roughly be divided into two equal portions of five years each, during the first of which good years and bad years did no doubt balance each other. The second period of five years, however, has been, over the greater portion of the Division, a succession of unfavourable seasons, including two severe famines separated by an interval of only two years. That the condition of the agriculturists has visibly deteriorated during the period may be seen from the fact that there has been a general reduction all over the Division in the number of plough cattle and ploughs.

	Ploughs.		Reduction per cent.	Plough cattle.		Reduction p.c.
	1895-96.	1898-99.		1895-96.	1898-99.	
	(In thou sands).			(In thou sands).		
Khandesh ...	120.3	102.3	15	350.8	311.9	11
Nasik ...	78.5	72.2	7.9	230.8	211	8.5
Nagar ...	58.6	42.5	27.6	280.1	226.3	19
Poona ...	50.5	46.3	8	221.9	193	13.4
Sholapur ...	13.1	15.3	15.5	194.5	155.6	20
Satara ...	38.5	36.8	4.3	203.4	184.2	9.6

## Loss in Cattle Wealth

If we take the whole number of cattle, which, properly speaking, are the principal form of wealth of the poorer agriculturists, we find that in Khandesh there has been a deduction of 12.8 per cent.,

than a recovery of the demand from the mortgagee, because the rate of interest which Government charge on *taga* is much lower than the rate charged by the grasping money-lender. I understand that, in pursuance of the orders of the Collector of Khandesh, large sums were realized from mortgagees in that district, and that in some instances, harsh and high-handed methods were resorted to for realizing the amounts. The recent orders which Government have passed in connection with complaints coming from Karad in the Satara District are another illustration of the manner in which the discretion vested in the subordinate officers is often abused. I understand that in this Taluka a considerable number of village officers have been fined for alleged incapacity in the matter of realizing the State demand, inclusive of past arrears. I understand that in Karad and Supane notices have been issued to more than 95 per cent. of the Khatedars, and that in Supane the carts of some agriculturists have been distrained. In Nasik I hear that in several instances lands have been at once seized by Government on failure to pay the revenue after the notices were issued, the authorities there not troubling to go through the intermediate steps. I know these things have only to be brought to your Excellency's notice to be set right, but they create an amount of prejudice against the Government, not to talk of the addition they make to the anxieties and sufferings of the people in such hard times.

However, my Lord, our chief concern now is with the present, and I earnestly appeal to your Excellency's Government to meet the requirements of the situation in a large-hearted manner by remitting the greater portion of the demand which has not yet been realized. Especially, my Lord, is such a course necessary in the Deccan. The Central Division has during the last four or five years been hit harder than it ever was during any previous years. A succession of unfavourable years, with one severe famine already among them, has now been topped by another famine of unparalleled intensity and magnitude, and the sufferings of the poorer classes have been simply beyond words. My Lord, it is the fashion to say that in the Deccan no remissions of land revenue need ever be granted, because its assessment is fixed on an average of seasons. A statement like this is difficult to deal with by reason of its obvious vagueness. But a table which I have prepared from the annual reports of the Agricultural Department for the last ten years should meet this statement, if anything can meet it. Taking these last ten years, we find that this Division had on the whole only four average years; four other years were considerably below the average, and the remaining two years were of severe famine.

of it remitted at once, because all those who could have possibly paid the Government demand by using their resources or credit, must have already done so; and, in the present situation of our peasantry, it is necessary to give many of them a fresh start in life without placing this millstone of arrears round their necks. I am confident that such liberal treatment of the peasantry will return tenfold to the State in the increased prosperity and contentment of these people. My Lord, I have spoken at such length on this subject of famine relief and suspensions and remissions of land revenue, because the first has almost exclusively engaged the attention of the public as of Government during the past year, while the second not merely has a reference to the past year, but is also a matter of the most pressing importance at this moment.

### Enhanced Assessment in Indapur

Having already taken up so much time of the Council, I have no wish to detain them much longer. But, I will, if your Excellency will bear with me, briefly refer to one other matter, and that is the levy of enhanced rates of assessment in the Indapur taluka in the current year, for which the Budget presumably makes provision. My Lord, the selection of papers about this taluka published a few months ago are melancholy reading, as showing how even plain considerations are sometimes ignored by the Departments interested in enhancing the revenue demand of Government on land. When this taluka was settled in 1867 its revenue demand was raised from Rs. 81,000 to Rs. 1,24,500 a year. It was then stated that considering the circumstances of the taluka the revised amount was a light one, and that the taluka would be able to pay without the least difficulty. Things, however, turned out otherwise. Owing to low prices and other causes, the condition of the taluka became so serious that in seven more years Government thought it necessary, on the representations of public bodies in the Deccan, to reduce the assessment from Rs. 1,25,000 to Rs. 1,11,000 a year. The actual demand, however, for some years past, has been about Rs. 1,03,000. It has now been decided by Government to raise this assessment by about 30 per cent, that is, to about Rs. 1,34,000. And these enhanced rates will be for the first time levied in the current year. The principal ground on which the enhancement was recommended by the Settlement Officer was the usual one of a rise in prices—the two staple grains of the taluka, jowari and bajri, having risen by 24 and 33 per cent. respectively in price. Now, in the first place, the returns of prices for 30 years ago must be accepted with great caution. Assuming, however, that they are reliable, and that prices have risen, as stated by Mr.

in Nasik of 5.6 per cent., in Nagar of 25.9 per cent., in Poona of 12.9 per cent., in Satara of 11.2 per cent., and in Sholapur of not less than 32 per cent. Of course these reductions were before the terrible mortality among cattle during last year's famine. What the position at the present moment must be we can only conjecture, and it is perhaps best not to indulge in so gloomy a conjecture. My Lord, the losses and misery of these five years have been still further aggravated by the ravages of the plague, and I feel bound to say that it was much to be wished that Government had not realised so large a percentage of their revenue in the Deccan as they have already done. From a statement which the *Times of India* published last month, we find that, except in Ahmednagar, the greater part of the land revenue had been collected in the Central Division by the end of June, the percentages of realization to the total demand for the year being 70 in Sholapur and Nasik, 67 in Satara, 60 in Khandesh and 52 in Poona. In addition to these figures, some more revenue must have come in during the last month. It is difficult to believe that these high percentages could have been realized without causing much hardship and privation to numbers of families, and compelling some who might have hitherto tried to keep their heads above water to take their first plunge into debt. A large portion of this must have also been collected from mortgagees direct. Moreover, I hear that the percentages for similarly situated talukas in one and the same district vary greatly in several cases, showing the extent of harshness practised in some talukas for the recovery of land revenue. My Lord, I regret to say that the traditions of the Bombay Government in this matter have never been in the direction of liberality.

#### Famine Commission and Bombay Famine Relief Administration

The Famine Commission of 1878 has noted that the Bombay Government of that time had done the least to relieve the people in this respect and the Madras Government the most. The last Famine Commission has also found fault with the Bombay Government for granting extremely small suspensions and practically no remissions. I do not know why this Government should cling so tenaciously to these traditions of illiberality, and I respectfully, but most earnestly, appeal to your Excellency to break through them once for all. I am the more emboldened to make this appeal, because your Excellency's munificent contributions to the famine fund from your private purse have made it clear to everybody how your heart goes out to these poor people, how deeply your Excellency sympathizes with them in their trouble. My Lord, the past is beyond recall, but I respectfully suggest that such of the land revenue as has not yet been realized be nearly all

price, according to his own showing, by more than 24 per cent. It is true that the Hon'ble Mr. Muir-Mackenzie's<sup>1</sup> support of the recommendations is half-hearted, and I detect in several of his sentences a vein of sarcasm, as when he reminds Government as to with what confidence it was predicted in 1867 that the settlement then effected would work smoothly, and how that confidence was afterwards found to be misplaced, and when he advises Government that, if they have the faintest doubt as to the capability of the taluka to bear the enhancement proposed, they should give the benefit of the doubt to the taluka. I, therefore, earnestly implore Government to reconsider this question, and in any case not to levy the enhanced rates during the current year.

### Abate the State Demand

Indeed, during this year it would be a wise and generous policy to abate a portion of the ordinary State demand in view of the ground which the agriculturists have lost all over the Division, so as to enable them to recover that ground at least partially. In this connection I would also urge that, now that the Survey Department has been closed, Government should announce once for all, as indicated in the correspondence between this Government and the Government of India in 1883 on the subject, that henceforth, when settlements are revised, enhancements will be made only on three grounds, namely, increased area under cultivation, higher prices, or increased production owing to improvements made by Government. Unless this is done, the settlement operations will be apt, as at present, to unsettle everything instead of settling anything. My Lord, I feel I have trespassed much too long on the time and attention of the Council. I had at one time intended to make a few observations on the Police and Abkari Departments and the financial position of Municipal and Local Boards. But I have put all those questions aside, and confined myself exclusively to the land revenue question and the question of famine relief, because I thought it my duty in these days of general suffering, to plead in this Council for universal leniency and generosity in the treatment of those who have been hit so hard.

### Peasant more heavily taxed than others

My Lord, our peasant is the backbone of our finance. It is sometimes said that he is on the whole very lightly taxed, and that the salt-tax is the only tax which he contributes to the State, the Government

1. Sir John Muir-Mackenzie, I.C.S., Director of Agriculture; Commissioner in Sind; member, Indian Irrigation Commission; member, Bombay Executive Council (1905-10); acted as Governor (July-September, 1907).

Young,<sup>1</sup> it is astonishing how nearly every officer of Government concerned in this enhancement lost sight of the fact, stated in paragraph 17 of Mr. Young's report, that the principal staple, namely, jowari, which is about two-thirds of the total produce of the taluka, has risen only 24 per cent. in price, while bajri which has risen 33 per cent., is only one-ninth of the produce. Again, my Lord, it has been declared that the policy of Government is to raise the assessment by about half the percentage of the rise in prices. Thus Sir Bartle Frere,<sup>2</sup> a most distinguished authority on this subject, stated before a Parliamentary Committee in 1871, that if the rise in prices in a place to be re-settled in the Bombay Presidency was 20 per cent., Government raised its assessment by 10 per cent., and gave the benefit of the other half to the rayat. Among other grounds stated by Mr. Young for justifying his proposals for an increase, I find an increase, of 25 per cent. in population mentioned. Now whatever an increase in population may indicate in other countries, in this country, where marriage is practically compulsory, it very often indicates a greater deterioration in the standard of living of the people. That this is so in the case of Indapur is clear from the fact that, while the population has increased by 25 per cent., cattle, which are the principal wealth of agriculturists, have not risen by even 10 per cent. These figures, which Mr. Young has given, are for 1895-96, since which time there has been a steady diminution in the number of cattle. Mr. Young also mentions an increase in wells and *dabaks* as a sign of increased prosperity, but the claim on this account is more than discounted by the statement, also contained in his report, that the area under well irrigation in the taluka, so far from increasing, has actually diminished. Then Mr. Young mentions that there are now more roads in and near Indapur than there were thirty years ago. Now apart from the fact that these roads have been constructed out of local funds, their contribution to an increase in agricultural profits is already represented in the rise in prices, and therefore to take this factor into account in addition to prices is really to count it twice over. Under these circumstances, my Lord, an increase of 30 per cent. in the assessment is a most exorbitant increase. One is at a loss to understand how the several officers through whose hands Mr. Young's recommendations passed did not challenge his proposal to increase the assessment by 30 per cent., when the area under cultivation had actually diminished, and the principal food-stuff had not risen in

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1. Superintendent of Land Records (1897)

2. Sir Henry Bartle Edward Frere (1815-84); Governor of Bombay (1862-67); member, Council of India (1867); Governor of the Cape and High Commissioner in South Africa (1877),

## BOMBAY ABKARI ACT AMENDMENT

[ *At a meeting of the Bombay Legislative Council on Tuesday, 12th February, 1901, Lord Northcote, the Governor, presiding, Mr. Monteath, the Revenue Member, moved the first reading of a Bill to amend the Bombay Abkari Act, 1878. The object of the Bill was to control the cultivation of the hemp plant and the production and sale of hemp drugs (i. e. ganja, bhang and charas). The first reading having been carried, the Bill was referred to a Select Committee with instructions to report within two weeks. The Committee, however, reported more quickly. Its report was presented to the Council on Saturday, 16th February, and the Second Reading was about to be taken up, when Gokhale spoke as follows :* ]

Before your Excellency passes on to the next item on the Agenda paper, may I respectfully ask your Excellency to reconsider the permission which has been given to suspend the Standing Orders? It was understood the other day that the Select Committee would take two weeks to consider this matter, and we, therefore, thought that this question would not be brought before the Council in less than two weeks. There are one or two important points in connection with this Bill with reference to which some of us are making inquiries and upon which it may be necessary for us to say something. I am not at present in a position to express a definite opinion, because my inquiries are not yet completed. It is just possible that as a result of those inquiries I may not have anything to suggest and may be able to support the Bill as it is. But there are important matters involved, for instance, the question of cultivation and the assessment of these lands. The prohibition of any particular kind of cultivation cannot have been contemplated when the assessment was fixed. Then, again, there are some who think that the Government might distinguish between bhang and ganja in the restrictions which are sought to be imposed by this Bill. I beg, my Lord, to point out that the power to suspend rules is intended only for cases where public interests are liable to be damaged by delay, and it appears to me that this Bill might, without injury to the public interest, be taken on a future day.

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[ *The consideration of the matter was postponed and the Second Reading was taken up at the meeting of the Council on Tuesday, 12th March 1901, when Gokhale spoke as follows :* ]

Your Excellency, — I beg leave, at the outset of my remarks, to acknowledge the consideration which was shown to me on the last occasion in not proceeding with the second reading of this Bill on that day. My Lord, it was with considerable reluctance and regret

assessment on land being in the nature of an economic rent. I do not propose to discuss whether the assessment is purely an economic rent, or is in part at least a tax, but this I believe will be admitted by everybody that, between the money-lender and the Government, the rayat has, in paying the land revenue, to trench seriously upon what may be called his margin of legitimate remuneration. But this is not all that he contributes to the State. The bulk of the Abkari revenue is contributed by him. The Forest revenue comes practically from his slender purse, if indeed he has a purse. He contributes a substantial portion of the stamp and registration fees. The salt-tax, as also all duties on such imports as he consumes, fall heavily on him relatively to his resources. Practically the income-tax is the only tax which he does not pay. Whoever, therefore, among the Indian people may be lightly taxed, the peasant is surely the most heavily burdened among them all. *In the best of times his lot is hard, and when mother nature grows unkind, not all the efforts of a benevolent Government save him from immense misery.* He, however, endures all meekly, patiently, without a word of complaint. Surely it will be a mark of the highest statesmanship to introduce a ray of hope and light into the gloom which generally surrounds his life. If your Lordship is enabled by Providence to do *something in this direction during your term of office, your name will be handed down to posterity as that of a great benefactor of the land.*

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propose to charge a fee for licences granted to cultivators, these latter may experience some difficulty in getting them actually, and may even have to incur expenditure, which will not bear scrutiny, before getting them. This point was very well brought out by the *Times of India* in an article on this Bill in December 1898. This is what that journal wrote on that occasion :

If it is a desirable object of legislation to multiply the points of contact between the administration and the people, this is a most admirable Bill; but not otherwise. Unless a substantial benefit is to be gained, the less the Collector and his subordinates are called on to intervene between the cultivator and the free pursuit of his calling, the better. Every additional licence, every additional compulsory resort to authority for permission to do this thing or that adds to the cultivator's worries — adds to the opportunities that the revenue subordinate enjoys for worrying him and getting money out of him. A licence looks a harmless thing — as it would be if it were a sheet of paper and nothing more. But in India there is often more in it than is written on the face of it and it costs more than is supposed to be paid for it.

The question of assessment also comes in, in this connection, though in a somewhat remote manner. I think that men who are paying a certain assessment to Government and are raising a certain kind of crop on their land have a right to expect that their freedom to raise that crop shall not in any way be fettered by Government. Sir James Campbell<sup>1</sup> in his evidence before the Commission observed :

I think the producers in Ahmednagar and Satara would resent very much any restriction of cultivation. I think that the prohibition of cultivation in those districts where it is trifling, so as to confine it to the two districts above named, may cause some little dissatisfaction, but would be feasible.

Lastly, in this connection, there is the question of growing hemp for the purposes of fibre. Dr. Watt<sup>2</sup>, in his Dictionary of Economic Products, states—and the statement has been quoted by the Hemp Drugs Commission in its report—that the Indian plant from which the drugs are manufactured is but an Asiatic variety of the species from which fibre is produced in Europe; and he also contemplates the possibility of cultivating hemp “as a cold season fibre-crop on the plains of India,” and he is of opinion that “there may be some localities

1. Sir James Macnabb Campbell (1846-1903) ; compiler, Bombay Gazetteers (1873-1901) ; Municipal Commissioner, Bombay ; Commissioner of Customs, Salt and Opium (1893 and 1897).

2. Sir George Watt, served in the Bengal Education department as professor ; Scientific Assistant Secretary, Government of India, (1884) ; Reporter on Economic Products (1887-1903) ; editor, the *Agricultural Ledger* (1872-1903) ; president, Pharmacological section of the Indian Medical Congress (1894) ; author of several scientific papers.

Council that the area under hemp in the Presidency is an exceedingly small fraction of the total area under cultivation — only about one thousand acres out of a total cultivated area of three and three-fourths crores of acres, and even this insignificant area is, if anything, steadily diminishing, owing to natural causes, even in the absence of such legislation as we are engaged in considering at this meeting. Taking, for instance, the figures of cultivation from 1885 to 1899 for the Presidency proper, we find that the average area under hemp from 1885 to 1888 was 1,192 acres; from 1889 to 1892 it was 1,112 acres; from 1893 to 1895 it was 1,097 acres; and during the last three years of this period, i.e., from 1896 to 1898-99 the average was only 908 acres. I think these figures constitute a silent but emphatic protest against the present Bill, which might have had a semblance of justification if it could by any means have been shown that the cultivation of hemp and the consequent consumption of the drugs were on the increase.

#### (ii) No Case for Control of Hemp Cultivation.

My Lord, my next objection to this Bill is that, even if Government wanted to legislate in this matter with the object of establishing bonded warehouses and levying a quantitative duty, I submit that absolutely no case has been made out for seeking to regulate the cultivation of hemp by licences. Even the few Bombay official witnesses, who favoured fresh legislation on the subject of hemp drugs, were careful to state that they did not desire to impose any restrictions on the freedom of cultivators in growing hemp. They considered that the restrictions on the sale of hemp and the fact that the manufacture of drugs could not, owing to the very nature of the process, be carried on surreptitiously, made it unnecessary to control the cultivation in any way. The honourable member in charge of the Bill himself expressly stated that he did not consider it necessary to restrict the cultivation of hemp, and I believe, my Lord, that with such a great authority on my side it is not necessary for me to labour this point any further. I will, however, venture to mention to the Council a few considerations which occur to me against the proposal to empower Government to restrict cultivation as they please. I think, in the first place, that anything which tends to multiply the points of contact between the cultivators and the lower subordinates of the Revenue, Abkari and other departments deserves to be seriously deprecated. If the cultivation of hemp comes to be prohibited, except under licence, innocent cultivators may be exposed, as urged by several witnesses, to the risk of having false charges brought against them by overzealous or blackmailing subordinates of these departments in connection with the spontaneous growth of wild hemp plants. Then, again, though Government do not

these intoxicants, if the object be to rescue the victims of the vice from its clutches, is not to make them dearer, but to make them scarcer. Take, for instance, the case of Thana. In 1890-91 the consumption of country spirit per head of population in that district was 21·2 drams. This consumption, in spite of the high duty levied, has steadily risen to 25·3 drams for the year 1898-99, an increase of 19 per cent. in eight years, which is a serious increase, even after allowance is made for the normal increase of population. The amount of still-head duty during the same period has risen from a little over seven and a quarter lakhs to a little over ten lakhs—an increase of about 37 per cent.,—which means that the operations of the Abkari Department in that district have not only not reduced consumption, but that the department now takes out of the pockets of the victims of the vice 37 per cent. more money than it used to do eight years before, and this in spite of the harder times which the poor people admittedly have had now for several years. My Lord, I for one would gladly support a policy of total prohibition in these matters, as that, I think, is the most effective way of dealing with the problem, in spite of the fancied interests of what are called moderate consumers. Failing that, I respectfully urge that the next best policy is not to make the intoxicants dearer, but to make them scarcer. A friend of mine, whom I consulted as to how this Bill would affect the interests of the cultivators of hemp in the Nevasa Taluka of Ahmednagar District, has expressed himself in these terms : “ How can Government, which has recently planted for the first time in the history of Nevasa a liquor shop in the heart of the little town, propose to restrict the liberty of the cultivators to grow hemp in the interests of temperance ? ” Any one who knows anything of the fearful hold which these intoxicants come to acquire over their victims will see that these helpless creatures will make any sacrifice to satisfy their craving, and that increased taxation under such circumstances, without a reduction of the facilities for obtaining the intoxicants, only means, as I have already observed, the misery of less food added to the curse of drunkenness. Some of the official witnesses before the Hemp Drugs Commission have taken the same view of the matter. Thus the Honourable Mr. Lely<sup>1</sup> has, with his usual directness, opposed increased taxation in the following words :

I think increased taxation of ganja would be highly impolitic. I can hardly see how, apart from political reasons, it could be beneficial. The consumer would be prepared to spend a pie or two more upon it. It is cheaper to get intoxicated

1. Sir Frederic Lely, joined I.C.S. (1869); Administrator, Porbandar State (1886); member, commission to inquire into the working of the Agriculturists' Relief Act (1891); Chief Commissioner, C.P. (1905); member, Decentralisation Commission (1907-08); author of "Suggestions for the Better Government of India,"

in India where this might be found possible and even remunerative." I think, in view of this expression of opinion from such an authoritative quarter, the Government, instead of prohibiting cultivation, except under licence, ought to encourage experiments in hemp cultivation with the object of ascertaining if the fibre-producing plant can be grown anywhere in the Presidency on a large and remunerative scale.

### (iii) Quantitative Duty conducive to Increased Consumption

My next objection, my Lord, to this Bill is on the score of the quantitative duty which it proposes to levy on the drugs consumed. As I have already observed, such a duty gives Government a direct interest in the increased consumption of the drugs. It is true that Government in the abstract is incapable of pushing forward the consumption of deleterious articles for the sake of a few thousands of additional rupees, but Government in the concrete, which sometimes means the subordinates of the Revenue, Abkari, and other departments, may not be wholly above such a temptation. Under existing arrangements, when the right to sell drugs within a certain area is once farmed to an individual, Government has no interest in the quantity of the drugs sold, and it may, therefore, well be trusted to look effectively after the interests of temperance. With a quantitative duty, however, the situation is altered, and I would not give the Abkari Department of Government any such interest in increased consumption, if I could help it.

### (iv) Make Intoxicants, not Dearer, but Scarcer

My fourth objection to the Bill is that it seeks to raise a larger revenue for Government by enhancing the taxation of the drugs, thereby raising the price of the drugs to the consumers. My Lord, I was at one time a believer in the theory propounded in ordinary textbooks of Political Economy, that the proper way to deal with intoxicants is to levy a high duty, and thereby seek to restrict consumption. I at one time shared with others the delusion that if the price of the intoxicants was raised beyond the capacity of poor consumers, large numbers of these people would be ultimately weaned from a most injurious habit. But whatever faith I once had in such a policy, I confess I have that faith no longer, and I have come to the clear, though painful, conclusion that if you only raise the price of the intoxicants, while you do nothing to reduce the facilities for obtaining them, you do not succeed in reducing consumption: only you take more out of the pockets of the consumers, and thus in many cases add the misery of starvation to the misery of vice. And I believe that the proper way of dealing with

objections, if made, should receive the most careful attention. The Government of India have accepted the recommendation in the following words :

In municipal towns the Governor-General in Council considers that no shop for the sale of hemp should be opened without consulting the Municipal Committee, and in rural centres notice of the intention to open a shop should be given and any objection to the establishment of a shop which may be brought forward should be considered, no shop being opened unless there is a real demand for the drug.

The Bengal Act contains a provision for assigning to any Municipality, with its consent, the functions of the Local Government relating to the grant of licences, and after such assignment no conditions or rules may be imposed by the Local Government without the consent of the Municipality. Even where such functions are not assigned, the Collectors are required to notify to Municipalities the sites selected for the shops within their limits, to consider the objections that may be raised, and if they do not agree with the Municipalities, to refer the matter to the Commissioner of Excise for decision. I think the people of this Presidency are entitled to claim that similar provision should be made for local option in the matter in the law of this Presidency.

My Lord, I have now stated to the Council my chief grounds for opposing this Bill. I fear my observations have detained the Council longer than they should have done; they have certainly exceeded the limits which I had first proposed to myself. The fact, however, that the Select Committee has unanimously approved the Bill as drafted made it necessary for me to explain myself at some length, and that is my excuse for taking up so much of the time of the Council. My Lord, I oppose the second reading of this Bill.

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[ After Mr. Monteth had replied that similar legislation had been in force in other Provinces, without causing any inconvenience or injury of which any one could legitimately complain, the Second Reading was carried, and the Council proceeded to consider the Bill clause by clause. Gokhale proposed the omission of clause 2 which sought to restrict the cultivation of hemp. In doing so he said : ]

Your Excellency,—I beg to move that clause 2 be omitted. The object of the clause is to include the cultivation of hemp within the operation of the restrictive portion of the Abkari Act. For the reasons which I have already explained and which I need not repeat, I think the cultivation should not be restricted, and I therefore propose that clause 2 be omitted.

( The amendment was rejected )

on ganja than on liquor. I do not recommend the increasing the cost of the former, because the people who use it are poorer than those who drink liquor.

In another place he says of the habitual consumers :

They take ganja because it enables them to bear abstinence from food and water, and even clothes in the coldest weather. It is said to enable them to resist the most malarious climate and the worst water.

Many other witnesses have described the present taxation of these drugs as reasonable. Even Mr. T. D. Mackenzie<sup>1</sup> observes :

If the price of the hemp drugs be much raised, the ascetics would probably stint themselves of food in order to get the drugs and so do themselves much injury.

I am aware, my Lord, that the Hemp Drugs Commission has recommended enhanced taxation of these drugs in this Presidency on the ground that at present it is much lower here than in Bengal and other Provinces. But I respectfully submit that this is not a fair way of looking at the question. The total incidence of Abkari taxation is the heaviest in this Presidency as compared with other Provinces, as may be seen from the following figures : In Bombay Abkari taxation is 9 annas 3 pies per head of population, as against 6 annas 6 pies in Madras, 2 annas 8 pies in Bengal, 1 anna 9 pies in the North-West Provinces, 1 anna 9 pies in the Punjab, and 2 annas 7 pies in the Central Provinces. I think, my Lord, that so long as it is not proposed to reduce this higher incidence of Abkari taxation in this Presidency, because it is lower elsewhere, for so long it would not be fair on the part of Government to increase the tax on these drugs, which happen, comparatively speaking, to be somewhat lightly taxed with us, on the sole ground that they are taxed at a higher rate elsewhere.

### (v) No Provision for Local Option

My Lord, I now come to my last objection to this Bill, and that is that it fails to provide for some form of local option, as recommended by the Hemp Drugs Commission and as directed by the Government of India in their orders on the report of that Commission. The recommendation of that Commission is couched in the following terms : That when new shops are proposed, municipal bodies, rural notables, zamindars or headmen, as the case may be, should be consulted as to the necessity of opening them, and as to their location, and that

1. Thomas Duncan Mackenzie, I.C.S., secretary, Naroda inquiry commission (1873) ; Collector, Broach (1884) ; Commissioner, Southern Division (1889) ; Chief Secretary to Bombay Government (1891) ; acting Commissioner of customs, salt and excise (1893).

*it effective, it would be necessary to add a clause imposing a penalty for non-observance of the obligation. Government, moreover, had every intention to consult local opinion before opening shops.]*

Gokhale — I would only point out that in Bengal the law actually makes statutory provision for giving local option in this way. What is good for Bengal may also be expected to be good for Bombay.

( On a division, six voted *for* the amendment and ten *against*. The amendment was, therefore, lost. )

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*[ Lastly, Gokhale proposed that in clause 10 ( 27-B (3), the following proviso be substituted for the second proviso. His proposed proviso was in the following words :*

*Provided also that notice of such surplus ( if any ) as aforesaid shall be given to the owner of drugs immediately after such sale, and that the application for the surplus shall be made within one year from the date of the receipt of the notice, unless sufficient cause be shown for not making it within such period.*

*At the suggestion of Mr. Monteath, Gokhale agreed to substitute the word " issue " for the word " receipt " in his amendment.*

*In moving the amendment, he made the following remarks : )*

Your Excellency, — I move that for the second proviso in 27-B, the words of which I have given notice be substituted, subject to the alteration which has just now been proposed and which I am prepared to accept. As the Bill stands, the provision comes to this. If a licence-holder has stored his drugs in a warehouse and fails to pay rent when called upon, the drugs are to be sold, and after deducting the duty and rent from the proceeds that may be realized, any surplus that remains is to be made over to him ; but there is no provision requiring that notice shall be given to him of the amount of surplus that may remain. The provision contained in the second proviso is that he shall apply for the surplus within one year after the date of the sale. I submit it is only fair that Government, who sell the drugs, it may be without the man's knowledge, should give him notice of such sale, and of any surplus that may remain. If for a year from the issue of the notice, the man makes no move, Government may confiscate that money. But otherwise the man should be entitled to claim the money, subject to this limitation.

( The amendment was accepted by Government. )

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[ *Gokhale then moved that clause 6 be omitted. He said :* ]

As this clause also refers to the subject of the restriction of cultivation, and as that point has already been decided against me, I wish, with your Excellency's permission, to withdraw the amendment.

( The amendment was by leave withdrawn. )

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[ *Gokhale then proposed the addition of a third proviso to clause 3 concerning the grant of licences for hemp shops, which aimed at the provision of local option. The proviso was as follows :* ]

Provided further that in Municipal towns no shop for the sale of hemp drugs shall be opened without consulting the Municipality, and that in rural centres notice of the intention to open a shop shall be given, and any objection to the establishment of such shop, which may be brought forward, shall be considered before the shop is actually opened.

*In asking for the addition of the proviso, he said :* ]

Clause 8 in this Bill refers to Section 16 of the Abkari Act and certain provisos are proposed now to be added to that section. As that section refers to the grant of licences by Collectors for the sale of hemp drugs, I think that in this clause provision should be made to give effect to the particular recommendation of the Hemp Drugs Commission to which I have already referred in my speech on the second reading, viz., about local option. That recommendation has been already accepted by the Government of India, and as this Bill is based on the lines laid down by the Commission and approved by the Government of India, I do not see how that proposal of the Commission can be ignored in this Bill. Section 16 of the Abkari Act lays down that no liquor and no drugs shall be sold without a licence from the Collector. I propose to add that, before the Collector grants a licence for the sale of these drugs, — I am confining my amendment to the drugs, and am not raising the larger question of local option in regard to liquor, — before the Collector grants permission for a shop to be opened in a particular locality, he shall carry out the conditions which have been laid down in the recommendation of the Commission and the orders of the Government of India. I have taken the very words of my amendment from the Resolution of the Government of India. The recommendation of the Commission having been accepted by the Government of India, I do not see any necessity for saying anything more in support of my proposal. I trust the honourable member will see his way to accepting the amendment.

[ *Mr. Montleath objected to the amendment on the ground that it would impose an unconditional obligation on Government officers, and to make*



year your Excellency, in speaking of a suggestion made by the Honourable Mr. Mehta, was pleased to state at a meeting of this Council that the Famine Commission,<sup>1</sup> then about to be appointed, would among other things enquire into the land revenue policy of the Bombay Government. It is true that Sir Antony MacDonnell's Commission did make in some places a sort of enquiry into the incidence of State demand and the question of suspensions and remissions, but the enquiry was not systematic, and, moreover, the report of the Commission has not yet been published, so that the public is in the dark as to the conclusion at which the Commission has arrived in these matters. Mr. Maconochie's<sup>2</sup> report is also not yet out. And thus even such help as would be available to the public after the publication of their reports in forming its judgment on these important questions is not at present available. My Lord, there is another reason for which I respectfully press for a general inquiry before such legislation is undertaken. All those who have any acquaintance with the land revenue administration of the Presidency feel that it was time that Government undertook a general revision of the Land Revenue Code. The grievances of the Inamdars, which my honourable friend the Chief of Ichalkaranji has been pressing on the attention of the Council for some time past, the provisions about the collection of revenue, about suspensions and remissions and various other matters, all these require amendment, and I think it is not at all desirable that when such a general revision of the Code is needed, Government should bring forward and that in such hurry, an amending Bill dealing with one point only. I submit, my Lord, that such a course is nothing better than a mere tinkering with the problem.

#### **British Government's Responsibility for Ryot's Indebtedness**

The honourable member has made a lengthy statement on the subject of the indebtedness of the peasantry and the incidence of the State demand. I do not propose to follow him in that discussion today. I will say something about these matters at a later stage of the Bill, but to one statement of his I think I must demur at once. The honourable member is of the opinion that the peasantry of the Deccan was even more involved in debt before British rule began than it is today. I do not think that there is any warrant for that statement. It is true

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## BOMBAY LAND REVENUE BILL

[ At a meeting of the Bombay Legislative Council, held at Mahabeshwar, on Thursday, 30th May 1901, Lord Northcote, the Governor, presiding, Mr. J. Monteath moved the First Reading of the Bill to amend the Land Revenue Code, 1879. Under the Code land, when brought under Survey Settlement, was held and occupied "in perpetuity, conditionally on the payment of the amounts due on account of the land revenue for the same." The Code also declared the right of occupancy to be heritable and transferable subject to certain provisions. The object of the Bill, on the other hand was, to enable Government to let waste, or unoccupied, or forfeited land to be held for short terms, and to restrict the holder's power of transferring his land. In opposing the Bill, Gokhale spoke as follows : ]

I am sure the Council has listened with great interest to the very lucid and comprehensive speech which the Honourable Mr. Monteath has made in introducing this Bill. In the course of the speech, the honourable member explained to us how it was that Government came to take the somewhat unusual course of summoning this meeting at this hill station. But I fear the explanation will hardly satisfy those who are of opinion that only the greatest urgency can justify a choice of time and place which cannot but be more or less inconvenient to some of the members. My Lord, I do not think it can be said that the introduction of the present measure was a matter of such extreme urgency. The only reason which the honourable member has mentioned for bringing forward the Bill at this time and place and in its present form is that the Honourable Mr. Lely<sup>1</sup> considers that the present juncture is favourable for taking an important step towards the solution of the much-vexed agrarian problem in the Presidency. Now with all respect for Mr. Lely, I feel bound to say that this question is so important and so complicated that even his great authority is not sufficient to make us accept without very careful examination a measure which, though apparently a small one, may not be as innocent as it looks. And the proper course for Government to adopt is, I venture to submit, to defer this kind of legislation until a careful and comprehensive enquiry has been instituted into the whole Land Revenue problem, the pressure of assessments, the extent of the indebtedness of agriculturists, the extent to which lands have gone out of their possession, the cause of relinquishments and forfeitures, the effect of the rigidity of the State demand and the general condition and resources of the agriculturists. Last

1. see foot-note on p. 409.

there to show that they have? I listened very attentively to the honourable member's speech and I confess I have not been convinced by it. I confess I am very doubtful as to whether this proposed restriction by itself will confer any benefit on those who will be affected by it. Perhaps more light will be thrown on the point when the Bill comes to be considered by the Select Committee, and till then I will continue to have, as I have already said, an open mind on the subject. On one point, however, in this connection I think it necessary to say a word. The Bill does not state what restrictions are proposed to be imposed on free transfers. The whole thing is left to the discretion of the Collector. Now this is not what the Punjab Act does, and I mention the Punjab Act because the honourable member has mentioned it. The Punjab Act provides for three kinds of mortgages and for these the permission of revenue officers is not needed. The Punjab Act also provides for free sales between agriculturists under certain circumstances, and under the Act, therefore, an agriculturist knows what he may do of his own free choice and for what he must obtain the previous sanction of the revenue officer. The Bill before us makes no such detailed provision, but leaves everything to the unfettered discretion of the Collector, which, I think, is very unsatisfactory.

### Objections to Short Leases

As regards the proposal to give short leases, that to my mind appears to be the most objectionable feature of the Bill. I submit that absolutely no case has been made out for this departure from the established policy of granting leases in perpetuity, subject to revision of assessment every thirty years. The Statement of Objects and Reasons says that sometimes, when land requires long intervals of fallow, it entails a loss of revenue on Government, if under the perpetuity tenure such land is not taken up, while, if it is taken up by anyone, it may occasion loss to him. If this is the only reason for proposing short leases, I think the difficulty may well be got over by the simple expedient of granting leases in perpetuity and remitting the assessment as a matter of course in years of fallow. Moreover, in the case of forfeited lands, there is no shadow of justification for substituting short leases for the present survey tenure. There is no question of fallow in the case of such lands, and there is no reason why the new occupants should have only short leases granted to them. My Lord, the perpetuity tenure is a matter of the most vital importance both in the interests of the agriculturists and for the sake of the improvement of land, and I submit it should not be lightly disturbed. What interest will the holder of a short lease have in the permanent improvement of his land? Moreover, what is there to prevent the

that Mr. Elphinstone<sup>1</sup> and other authorities have stated that there was a good deal of poverty and even indebtedness among the agriculturists before the Deccan came under British rule. But the Deccan Riots Commission<sup>2</sup>, after a careful examination of the question, has, if I remember right, recorded its deliberate opinion that the extent of the agriculturists' indebtedness has much increased since British rule began. And two causes contributed very materially to this result. One was Mr. Pringle's<sup>3</sup> unfortunate settlement, which in the opinion of competent authorities simply ruined the peasantry of the Deccan, and the other was the facilities given by the British Government to the money-lending class in the matter of the recovery of debts. The evil of the wrong start given by Mr. Pringle's settlements to the peasantry, aggravated by the action of the Civil Courts, and the embarrassment and the consequent helplessness of the peasantry, have gone on increasing with time. I do not think, therefore, that the British Government can fairly claim to be free from responsibility for the present extent of the ryots' indebtedness in the Deccan. The honourable member also observed that the State demand has nothing to do with the indebtedness of the agriculturists. I submit this is an unsafe position for any one to take after what several Commissions have recorded on the subject. The rigidity of the State demand and the theory of averages are in no small measure responsible for driving many agriculturists into the hands of the money-lenders and I think this a point on which not much difference of opinion should be possible.

Having made these few general observations I may now proceed to indicate very briefly, I think I need not do more than that at this stage of the Bill, my view of the measure which has just been introduced. And I may say at once that as regards this proposal to restrict free transfers in the case of waste and forfeited lands which may be given on lease, I have an open mind. I admit that the proposal, as far as it goes, interferes with no vested rights. I also admit that under certain conceivable circumstances such restriction may be the lesser of two evils. But have such circumstances, I ask, arisen? What evidence is

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1. Mountstuart Elphinstone (1779-1859), appointed to the Bengal Civil Service (1796); Assistant to the Governor-General's Agent at the Peshwa's Court at Poona (1801); Resident at Poona (1811-17); Governor of Bombay (1819-27); author of 'A History of India' and 'The Rise of the British Power in the East.'

2. The commission was appointed "to inquire into the causes of the riots which took place in the year 1875 in the Poona and Ahmednagar Districts of the Bombay Presidency" (1878).

3. R. K. Pringle (1802-97); joined Bombay Civil Service (1820); made revision settlement of Poona and Sholapur Districts (1829-31); succeeded Sir C. Napier in the Government of Sind (1847).

of Government. A succession of calamitous seasons — unprecedented in the history of the Presidency — have, besides causing untold suffering to millions, reduced the bulk of the agricultural population to very sore straits. Government have, no doubt, done much to relieve immediate suffering ; but they feel, and very properly feel, that mere temporary palliatives cannot meet the requirements of the situation ; and the question of the hour with them is how best to help the broken peasantry not merely to tide over the present crisis, but to secure to it, as far as possible, a clean fresh start in life again. The idea of Government seems to be that it is not so much the unfavourableness of seasons or the amount or rigidity of the State demand, as the Ryot's habit of reckless borrowing in normal years that is responsible for his difficulties and suffering in years of drought. They believe that the survey tenure, introduced more than half a century ago, — under which the holdings are both heritable and transferable — has been a mistake in the case of large numbers of agriculturists, as it has only encouraged their improvidence and turned many of them into mere serfs of money-lenders. Government, therefore, think it desirable to try, in place of the existing survey tenure, another on a non-proprietary basis, under which the holder will not have the power to alienate his holding in any way without the express sanction of Government. And they propose to take power to substitute this inferior tenure, wherever they please and wherever they get a chance, in the exercise of their executive discretion.

(3) In considering the proposals of Government, five questions principally suggest themselves : (1) Are Government correct in their analysis of the Ryots' difficulties ? (2) Is the proposed experiment likely to prove a remedy ? (3) What harmful consequences may be feared from the creation of the new tenure ? (4) Can Government create such a tenure in the case of forfeited lands, consistently with their past declarations and the obligations of good faith, and in accordance with the working theory of land administration in the Presidency ? (5) Is the method adopted for creating the new tenure free from objection ? Of these we will deal with the last question first, as it involves considerations of great constitutional importance.

(4) We are strongly of opinion that the proposal to empower Government to give waste, relinquished or forfeited lands on such leases as they, in the exercise of their executive discretion, think best, is open to grave objection. That it has been the practice of Government to grant land on short leases and without the power of alienation in special cases in Gujarat, Khandesh and elsewhere, though such a course is not authorized by the existing law, is no reason why the practice should be legalized in general terms. We think it is unsafe

Collector from raising the assessment every time a new lease is granted? It may be said that the Collector will ordinarily use his discretion well, but I for one would not confer such wide discretionary powers on him when lands are forfeited. When neither the ryot nor the sowcar cares to prevent the land from going back to Government, I think it is a fair presumption that the assessment is excessive in comparison with the productive capacity of the soil, and the remedy for this state of things must be sought, not in the substitution of short leases for the perpetuity tenure, but in the abatement of the State demand. I earnestly trust, therefore, the Government will drop this proposal about giving land on short leases. My Lord, I do not think I need detain the Council longer. I regret the introduction of this measure at this time and place and in its present form. I fear it can do but little good. I also fear it is capable of doing a great deal of harm.

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*[After the first reading of the Bill was carried, it was referred to a Select Committee, of which Gokhale was a member. He and Mr. Chhatre wrote the following dissenting minute to the report of the Committee.]*

We regret we are unable to sign the report which a majority of the members of the Select Committee have adopted. The Bill, we fear, has little to recommend it beyond the intentions of Government. At the same time it is obviously capable of being so worked as to revolutionize the existing land tenure over a large and constantly-increasing area of the Presidency. Its leading principles are open to serious objection; and its introduction at the present juncture has been widely misunderstood and has been attended with results which all must deplore. The public have had hardly any time to examine the precise character and scope of the measure and formulate their objections—the Bill having been first published only on the 18th May last, and that too simply in the English language. Meanwhile a vague feeling of panic—perfectly unwarranted so far as the intentions of the Government are concerned—prevails everywhere both among agriculturists and sawkars, the former imagining that the Bill threatens their proprietary rights over their holdings and the latter being under the impression that it will eventually lead to a partial confiscation of their property. Under the circumstances we feel bound to recommend that the Bill should be dropped altogether or that, at any rate, its further consideration should be postponed till next year.

(2) There is no doubt that the agrarian situation in the Presidency at the present moment demands the most anxious attention

in the case of forfeited lands. When Government seize lands, in respect of which the State demand has not been paid, the power to forfeit is exercised by Government to realize, if possible, the assessment which is due to them. For this purpose the occupancy rights of the land may be sold by Government to the highest bidder; but it is provided that if a sum, in excess of the amount which is in arrears, is realized by such sale, the surplus shall be paid to the defaulting occupant. When, however, no sale can be effected, Government have the power to dispose of the holding in such other manner as they please. We are of opinion that this procedure is in harmony with the generally accepted theory of land administration in British India. According to this theory, cultivated land is not the property of Government. Government are only entitled to their assessment as the first charge. On this point, a clear and definite pronouncement was made by the Government of India in a Despatch addressed by them to the Secretary of State in 1880; and we think that this pronouncement is binding on the Local Government, no matter what the views of individual officers may be.

"We do not," wrote the Government of India in that year, "accept the accuracy of the description that 'the tenure (of land in India) was that of cultivating tenants, with no power to mortgage the land of the State' and that 'land is the property of the Government held by the occupier as tenant in hereditary succession so long as he pays the Government assessment.' On the contrary, the sale and mortgage of land were recognized under the Native Governments before the establishment of British power and are not uncommon in Native States at the present time, and if such transactions were rarer than under our administration, it was mainly because, the tenure being insecure, the property had little value. It has been one of the greatest objects of the successive Governments of India since the days of Lord Cornwallis, if not to create property in land, at all events to secure and fortify and develop it to the utmost. The Government undoubtedly is the owner of a first charge, the amount of which is fixed by itself on the produce of all revenue-paying land in India; but over the greater part of the Indian Empire, it is no more the owner of the cultivated land than the owner of a rent-charge in England is the owner of the land upon which it is charged."

We think this unequivocal and emphatic declaration on the part of the Supreme Government ought to dispose effectually of the attempt which is from time to time made to claim for the State the ownership of the soil in India. Now if the State is not the owner, land which comes upon its hands through forfeitures comes to it simply because it must have the means of securing the payment of the "first charge" which the occupant has failed to pay. And it therefore becomes the duty of the State not to derive from the forfeited holding anything in excess of the amount which is necessary to satisfy its own claim. But if Government now acquire the power to give forfeited

and not in harmony with the spirit of British administration that such vast powers should be conferred upon the Executive Government and that a most important branch of the administration of the Presidency should be removed from the regulation and control of express statutory provisions and put simply under the direction of executive authority. In no Province in British India is the choice of the land tenure thus left to the discretion of the Executive Government. Thus in the Punjab, when it was deemed expedient to create a special tenure for waste lands in the Chinab Valley, Act III of 1893 was passed by the Supreme Legislature for the purpose, and no such power to create the tenure in the exercise of executive discretion was conferred on the Government. In our Presidency too, when it was decided to constitute such a special tenure in parts of Sind, the Legislature was appealed to and Act III of 1897 was passed dealing with the matter. No case has been made out by Government for demanding such extraordinary powers in the present instance, and we think that there is no need for conferring these powers, as the Legislature is always at hand to assist the executive whenever special legislation is found to be necessary. It has been estimated that if the proposed Bill is immediately passed into law, a vast area—about one-third or one-fourth of the total cultivable area of the Presidency—will come at once under the operation of its provisions; and this area will steadily increase, as in course of time more and more holdings come back into the hands of the State owing to forfeitures or relinquishments. We are unable to contemplate without grave apprehension the prospect of such a vast extent of land being left at the free and unfettered disposal of Government—to be given on such leases as they, in the exercise of their executive discretion, may deem proper. The unsettling effect on the public mind of such a surrender by the Legislature of its proper functions in favour of the Executive is not difficult to foresee. A general sense of insecurity in regard to land tenure will come to prevail in the Presidency, the failure to pay a single year's assessment in time enabling the Executive to force upon the occupant what lease they please. Such insecurity, such impairing of public confidence in a matter affecting the material interests and the contentment of millions of people is most undesirable, and we therefore recommend that whatever new tenure Government may wish to create and whatever terms Government may desire to attach to leases granted under the new tenure should be clearly specified in the Bill, so that the public may know the extent of its legal rights as also of the powers of Government in the matter.

(5) The next question on which we desire to offer a few observations is how far Government are at liberty to create the new tenure



new tenure "will be face to face with far more serious difficulties than they have had to encounter in the past" and that Government will in all probability think it necessary to "turn them out of their holdings for the non-payment of Government assessment."

(7) But while the chances of the new tenure proving a remedy for the ryots' difficulties are extremely slender, its introduction cannot fail to be attended by several consequences of a very regrettable character. In the first place, agriculturists will now be prevented from asking for suspensions or remissions of land revenue even in bad years by the fear that Government may take the opportunity to force the new tenure on them. It has now been generally admitted that one great defect of the Bombay Land Revenue system is the absence therein of a provision for a liberal scale of suspensions and remissions in years of drought. It was hoped that the pointed manner, in which this defect had of late attracted general attention, would result in the Bombay Government prominently recognizing the claims of this form of relief in their Famine Relief Administration. If the present Bill, however, passes into law, agriculturists will, as a rule, be deterred from coming forward to claim this form of State assistance even in years of great distress, for fear that thereby they may lose their present proprietary rights over their holdings. Another evil which will result from the creation of the new tenure will be the degradation of large numbers of agriculturists from their present proprietary status to that of mere tenants of the State — a moral lowering of position, calculated to take away their sense of independence and responsibility, which cannot fail to produce an unfortunate moral effect upon their character. When the survey tenure was introduced, it was claimed on behalf of Government that the agriculturists would thereby be removed "from the pupillage and surveillance of Government officers." It is sad to think that after half a century, Government should think it necessary to undo their own work and relegate these men once again to "the pupillage and surveillance" from which they were declared to have been freed. Moreover when the survey tenure was created, Government extinguished the *miras* tenure which was then in existence over large areas in the Deccan. This *miras* tenure was admittedly superior to the survey tenure, inasmuch as the State demand in the case of *mirasdars* was permanently fixed and their land was besides not liable to forfeiture for non-payment of assessment. To reconcile the public to the extinction of the *miras* tenure, it was urged on behalf of Government that while the *mirasdars* would under the new system not lose much, the *upari* tenants of the State, who constituted the majority, would be great gainers in that they would enjoy the right of free transfer for the first time. We therefore think

holdings on such leases as they deem proper, there is nothing to prevent them from requiring the occupants—though they may do not do this in the first instance—to pay a rack-rent to the State instead of the present survey assessment which, in theory at least, is understood to be half the net assets. Again, if these lands be given on short leases, Government, on the expiry of the leases, will be able to appropriate any portion of them for a public purpose without paying any compensation to any one,—which means that the power to order a forfeiture will benefit the State more than it strictly should. The scheme of Government thus amounts in practice to a nationalization of forefeited lands, by buying up for the State the rights of old occupants for a year's assessment or whatever the amount in arrears may be. We think that such a course is not in keeping with the past declarations of Government and is incompatible with the existing theory of land administration in British India.

(6) It has been said that Government desire to take power to introduce the new tenure because they are anxious to make what they regard as an "interesting experiment." We regret to observe, however, that as far as we can judge of such an experiment beforehand, it appears to us to be foredoomed to failure. The theory of Government is that the power of free transfer which the ryot enjoys under the existing land tenure puts him in possession of a large amount of credit which he uses in so reckless a manner that he ends by involving himself hopelessly in debt and then becoming practically the serf of his money-lender. And Government therefore think that by taking away this power of free transfer from him, his ruinous credit will also be taken away and he may thus be compelled to remain out of debt. This view of the matter, however, appears to us to be based on a serious misapprehension as to what leads the ryot to borrow. The average ryot borrows, because the produce of his holding does not suffice to maintain him and his family, to pay the State demand with rigid punctuality alike in good and in bad years, and to furnish him with the means for meeting the expenses of extraordinary occasions. And if he cannot borrow on the strength of his lands, he will borrow on the strength of his annual crops and thus be as much a serf of the savkar as ever. Indeed unless Government introduce greater elasticity into their system of revenue collections, abating at the same time their demand where it is excessive, and unless they make provision for the reasonable needs of the agriculturists in the shape of Agricultural Banks or a more liberal and flexible system of tagal advances, it is impossible to understand how by merely taking away from the agriculturist his power of free transfer, his lot will be improved. In fact, it is to be feared, as the Daccan Sabha have said, that in a few years the occupants holding under the

buildings and as a matter of course, and it is this power which Government seek to obtain by amending Section 48 of the Code. We understand that the entire non-agricultural value of all unalienated land is claimed by Government as their exclusive property. We do not think that this is a just claim. The fact that there were neither building fines nor special assessments of building areas before 1865 shows that the claim of Government is only an assertion of State landlordism of a comparatively recent date. As the proposed amendment of Section 48 is calculated to strengthen the hands of Government in enforcing their theory to the fullest extent, we think it our duty not to agree to the amendment till the whole question of the assessment of building areas is placed by Government on a juster and more satisfactory basis. }

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[ *The Second Reading of the Bill was moved at a meeting of the Bombay Legislative Council held at Poona on Friday, 23rd August 1901, Lord Northcote, the Governor, presiding. Mr. Pherozeshah Mehta<sup>1</sup> moved an amendment to the effect that the Bill be referred for opinion to various gentlemen and public bodies and reconsidered by the Select Committee in the light of the opinions received. On Saturday, 24th August, 1901, Gokhale supported the amendment in the following speech :* ]

### Misapprehension of the Sponsors of the Bill

Your Excellency,—I rise to support the amendment which has been moved by my honourable friend, Mr. Mehta. My Lord, it is with a deep sense of responsibility that I do so. I have now been for fifteen years in public life,—I mean such public life as we have in this country—and I can sincerely assure your Excellency that I have never seen the public mind so profoundly agitated as over this Bill. The Honourable Mr. Monteath complained yesterday that the Bill had been widely misunderstood and misrepresented. But has the misapprehension been all on one side? Is it not a fact that Government themselves had to issue a special Resolution after the Bill had been introduced to correct the 'misapprehension of one of their own Collectors? But, my Lord, I go further and I say that the honourable mover of the Bill himself and also the Honourable Mr. Lely have

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that the present proposal to reduce a large proportion of the agriculturists once more to the position of mere tenants of the State practically violates the understanding on which the people of the Presidency reconciled themselves to the extinction of the old *miras* tenure.

(8) The last observation that we desire to offer in this connection is that it is not by abolishing or restricting the right of free transfer that the lot of the average agriculturist will be ameliorated. As we have observed above, he borrows because his holding is often too small for his needs. One cause which drives him into the hands of the *savkar* is the rigidity of the State demand which has to be paid alike in good and bad years. "It is evident" said the Deccan Riots Commission of 1875, "that a revenue system which levies from the cultivators of a district, such as that now dealt with, the same amount yearly without regard to the outturn of the season, must of necessity lead to borrowing. In bad years the ryot *must* borrow." The Deccan Agriculturists' Relief Commission of 1891-92 endorsed this opinion and suggested a greater elasticity in the matter of revenue collection, the fixing of more suitable dates for the different instalments and other executive measures for mitigating the cast-iron character of the present system. We are not aware that these suggestions have been adopted by Government, though we find the authority of the Commission of 1891-92 quoted in support of the principle of the present Bill. However, these suggestions, even if adopted, would prove only small palliatives. The real remedy for the chronic difficulties of the ryot must be sought in the promotion of non-agricultural industries to relieve the pressure of surplus population on the soil, a better organization of real credit, an abatement of the State demand where it is excessive and a statutory guarantee, in the absence of a permanent settlement of this demand, that the assessment will not be raised at the time of revision unless there has been a rise in prices and that the increase will not be more than a certain proportion of the rise in the latter.

(9) With regard to the proposed amendment of Section 48 of the Land Revenue Code, we fail to understand why it is included in the present Bill. Its proper place is in a general revision of the Land Revenue Code, such as has been admitted by Government to be necessary. Under the existing law, Government have the power to levy a special assessment on building areas (Section 48), to levy a fine for appropriating agricultural land for non-agricultural purposes (Section 65), and to fix a period not greater than 99 years, for which the special assessment shall be in force (Section 102). But they have no power to make rules providing for a periodical revision of such assessment, so that the revision may take place in the case of all

certainly are not simpletons, and it is inconceivable that they will ever allow any land which is mortgaged to them to be forfeited when they can prevent the forfeiture by simply paying the assessment. Even under existing arrangements, the assessment is in most cases paid by or realized from them when the occupant is unable to pay it, though it is true that at present they try to secure, if possible, remissions in the name of the occupant. When the present Bill becomes law they will, no doubt, take good care to pay the assessment in all cases, but that only means that the collection of land revenue will be more stringent than at present,—it will bring no relief whatever to the ryot who is the sowcar's serf. My Lord, "in vain the net is spread in the sight of any bird." A sowcar here and a sowcar there may perhaps be caught napping—where, for instance, he is gone on a pilgrimage, or is a minor and has no one to look after his interest, but such instances will be extremely few. My honourable friend, Mr. Desai has perhaps seen this point, and that was, I think, why he regretted yesterday the provision contained in this Bill that at least fifteen days' public notice should be given before forfeiture. He would like to give no notice whatever and thereby he hopes to be able to take a larger number of sowcars unawares. Now, my Lord, whatever results Mr. Desai's method in this particular might achieve, that method is not, I submit, consistent with our notions of the dignity of the British Government or the sense of justice and fair play which we have been accustomed to recognize as forming part of its character. And I am sure the British Government will never come to such a pass unless men like my honourable friend have more to do with its legislation than they have at present. But I will ask Mr. Desai this: Supposing you are able to catch a few sowcars in this way, do you think that thereby you will be able to free the ryots concerned from their liabilities? When the lands of these ryots are forfeited and are regranted to them under the new tenure, the sowcars will, no doubt, not be able to get the lands back into their own hands. But the personal liability of the ryots for the old debts remains in full force and, therefore, the moment the harvest is gathered and the crops brought home, the sowcar can seize them and thus he will be able to exploit their labour as much as ever. And that is really all that he does even at present as pointed out by the Honourable Mr. Aston. He does not till the lands himself. All he cares for is to exploit the ryot's labour. In the first place, therefore, no sowcars will allow the lands in their possession to be forfeited, which means that this Bill will be inoperative, and, secondly, even if a few sowcars are caught napping and the lands in their possession are forfeited and regranted to the old occupants under the new tenure, the personal liability of these ryots for their old debts will remain in full force, and

shown by their speeches of yesterday that they are themselves under a great misapprehension as to what the Bill can do and what it cannot. If no misapprehension had existed in their minds, much of what they said yesterday—however true it might be as descriptive of the agrarian situation in the Presidency—would have remained unsaid as irrelevant to the discussion of the present measure. The Honourable Mr. Monteath said that the Bill was intended to bring relief to those who were only nominal occupants of their holdings, *i.e.*, whose lands were in the hands of the sowcar and who were practically his serfs. The Honourable Mr. Lely cited a number of instances of families that have been ruined by the unrestricted right of transfer under the survey tenure and whose lands are now in the hands of the Bania. As I sat yesterday listening to these instances—some of them very pathetic and all of them interesting—while I felt sincere admiration for the patient labour with which my honourable friend had collected his data, I could not help saying to myself: "All this is entirely beside the point." If the Bill could really bring relief to those who are practically the serfs of their money-lenders, I admit that whatever there might be to be said against the measure, there would also be a good deal to be urged in its favour. But, my Lord, it is absolutely impossible that the Bill can do anything of the kind.

### The Bill will be Inoperative

What is it that is proposed to be done under the Bill? Its principal provision, which has exercised the public mind so much, is that Government may regrant forfeited lands without the power of free alienation. Government intend to regrant such lands as far as possible to old occupants. This is not in the Bill itself, but I will assume for my present argument that they will do so. Now let the Council mark what is the true scope and character of this provision. Before a holding can be brought under the new tenure, it must first be forfeited, which means that the assessment in respect of it must be withheld. The Bill will be simply inoperative in the case of those lands the assessment of which is paid. Now under the Land Revenue Code the assessment can be paid not only by the occupant in whose name the holding stands, but by any one interested in the holding, including the mortgagee *i.e.*, the sowcar, and under the present Bill, Government are bound to give at least fifteen days' notice before forfeiture, so that any one who is interested in the holding may pay the assessment. The sowcar, therefore, can pay the assessment when the occupant does not, and when this happens the Bill will be absolutely powerless to help the ryot, however much he may be the serf of his money-lender. Now, my Lord, whatever else the sowcars may be, they

this agency of the Press Committees used in the present instance to prevent or remove misapprehensions? Did Collectors or such other officers arrange anywhere to meet native gentlemen of education and influence and talk the matter over with them with the object of dissipating their fears? Was any attempt made to explain to the ryots the true scope and character of the present Bill? But while none of these things were done, mark what the Government did do. At a time when the agriculturists of the Presidency had just passed through a period of the greatest privation and suffering, when Government had already done so much for them and so much more had been promised which had aroused in them feelings of deep gratitude, when, in fact, the relations between the two races were better than they have ever been for years past and were every day growing more cordial, when your Excellency had won all hearts by your own profound sympathy—and may I add that of the noble lady who is your partner in life—with the poor in their distress, this bomb was suddenly thrown into our midst; and because people got scared and began to run about wildly—some shouting perhaps more excitedly than was necessary—the honourable member turns sharply on them and says: “Oh, it was only a harmless explosive, and you had no business to get so frightened.” Then, again, look at the manner in which the Bill is being rushed through the Council. It was first published on 18th May and it came on for first reading on 30th May, almost before anyone had had time to grasp its true meaning and character. Even the statutory provision, requiring the publication of the Bill fifteen days before its first reading, was not complied with, and though your Excellency, by suspending the standing orders, legalized what otherwise would have been illegal, that did not increase the time allowed to the members of this Council for studying the measure. The first meeting of the Select Committee was held the very next day after the meeting of the Council, i.e., on 31st May, and the second meeting, which was also the last, was held on the 24th June, i.e., before a single memorial from public bodies or anyone else had reached the Council. The deliberations of the Select Committee were thus closed before the public had had any opportunity to submit a single suggestion or a single criticism to that Committee. Now, my Lord, I do not subscribe to the doctrine that the official classes alone understand what is in our interest and what is not. And, I think, the public are entitled at least to be heard before a Select Committee appointed by the Council makes up its mind as to what it shall recommend. In the present instance, however, all the numerous petitions that have poured in upon the Council have been simply brushed aside. It is true that a few of them were considered by Government in their executive capacity, and a reply, too, was given to one of them. But that is not the same thing as this Council considering them; the

thus the sowcars will be able to exploit their labour as much as ever. Even if these ryots are taken from their old holdings and put on new lands and Government go so far as to pay them a bounty for cultivating lands which otherwise would remain uncultivated, the crops on these new lands will be liable to be attached, just the same as the crops raised on the old lands. Unless, therefore, the Civil Courts are closed to the sowcars and it is enacted that their contracts, whatever their nature, are all invalid and cannot be enforced, you cannot get a ryot, who has once got into a sowcar's clutches, out of those clutches till the debt is paid off, and the present Bill can bring him absolutely no relief.

My Lord, the Honourable Mr. Monteath threw down to me yesterday a challenge with reference to the drafting of a certain section. Now challenges, as Burke says in one place, are rather serious things. But, for once, I will set aside Burke's advice and follow the example of my honourable friend, and I will make him this offer : If he will satisfy me—and I hope I am not quite unreasonable,—if he will satisfy me that this Bill will bring any the least relief to those ryots whose lands are already in the hands of the sowcars, I will at once abandon all further opposition to this Bill, I will vote for the second reading, and I shall even feel happy when I am pilloried in the columns of the press for my change of opinion. My Lord, I repeat, the Bill can bring no relief to the ryot who is indebted. And is it for those who are themselves under a misapprehension in so important a particular to complain of the misapprehension of others ?

### *Indifference to Public Opinion Responsible for Misapprehension*

But I have something more to say on this question of misapprehension, and I will speak freely today and even bluntly — for, on an occasion of such gravity, blunt speech is a duty, however much it might be liable to be misconstrued. I admit, my Lord—I have admitted in private conversation and I make the admission openly in this Council today—that there has been a certain amount of excited writing in the columns of the press on the subject of this Bill. But may I ask what steps Government took to prevent or check a misapprehension of their intentions beyond the resolution of June 18th, which was intended simply to recall the steps taken by one of their own Collectors ? I feel bound to say that in this matter everything which should have been done was left undone, and whatever should not have been done has been done. I was once given to understand that the Press Committees, about which so much was said at one time, had been established not so much for keeping a watch on the conduct of newspapers as for the purpose of noting the grievances ventilated in their columns and correcting misapprehensions wherever such correction was necessary. Was



Such a suggestion, I submit with due deference, is inaccurate as a statement of fact and questionable in point of taste. How would these gentlemen like it, if we turned round and said: what do these Collectors and Assistant Collectors really understand of the true feelings of villagers? When they happen to go to a village, in the course of their official duties, what actually takes place is this: They pitch their tent at some distance from the place, unless there is a travellers' bungalow anywhere near, make a few inquiries of the village or taluka officials that are always in attendance, and visit, perhaps, a few spots in the neighbourhood. Their knowledge of the vernaculars no more qualifies them to enter into a free conversation with the villagers than does the English of Johnson and Macaulay which we study enable us to understand without difficulty the vigorous language of a British or Irish soldier. Meanwhile, it is the interest of the village officials that as few complaints should reach these officers as possible, and that they should go away well pleased, and the termination of the visit of inspection is regarded with feelings of genuine relief. I think such a way of putting the matter has in it just that amount of truth which makes the whole description look plausible. But I feel bound to say it is grossly unfair to a large number of very deserving and very conscientious officers of Government. The truth, my Lord, is that the English officials in this country understand the ryot from one standpoint, and we understand him from another, and between the two our knowledge of him is certainly not the less deep or instinctive or accurate.

### Agitation Against Bill Not a Money-Lenders' Agitation

Then, again, it has been stated that only the sowcars and their champions are opposing this Bill, and, to our great regret and astonishment, we find the Secretary of State for India<sup>1</sup> declaring in Parliament that it is all a money-lending agitation. Now all I can say is, in this matter, that there cannot be a more complete or a more grievous misapprehension of the true facts of the situation, and the circumstance that the Secretary of State should have lent the weight of his authority to this misapprehension shows to my mind how entirely out of touch those who are responsible for advising him are with the real sentiments of the agricultural population. My Lord, the agitation against the Bill is emphatically not a money-lending agitation. Why should it be thought that men like the Honourable Mr. Mehta would ever associate themselves with an agitation started in the interests of money-lenders and against those of the ryots? We are not money-lenders ourselves,

1. see foot-note 2 on p. 6.

Select Committee alone can act on behalf of the Council, and so far, therefore, as this Council is concerned, the memorials against the Bill have been merely so much waste paper. These petitions—this huge mass of papers—were laid on the table only the day before yesterday, and it was physically impossible for any member of this Council to go through them before the honourable member rose to move the second reading of the Bill. Can any one seriously maintain that there is not a single suggestion, a single hint, in all these papers which this Council might usefully consider? I submit, my Lord, this extreme precipitation and this indifference to public petitions is as responsible for any misapprehension of the intentions of Government as anything else. My honourable friend, Mr. Chunilal, told us yesterday that agriculturists who were in the beginning favourable to the Bill are now opposing it owing to the misrepresentations of certain people. And he mentioned how he had a talk with two agriculturists who are heavily indebted to sowcars, and who welcomed the measure as beneficial when he explained its true nature to them. Now I ask my honourable friend, what did he tell the two agriculturists? Did he tell them that the Bill would free them from the power of the sowcar; that their land would get out of his hands after this Bill was passed? If he said this to them, I say he has misrepresented the Bill—I do not say consciously—he has misrepresented the Bill to them. How can this Bill help any one who is already in the hands of the sowcar? I would request my honourable friend, when he goes back to Broach, to have another talk with those agriculturists, and I would ask him to tell them that, so far as ryots in their condition were concerned, the Bill was not capable of bringing them any relief. I would then like to know if these two agriculturists would still regard the Bill as likely to prove beneficial to them. My Lord, I am amazed that members should talk of misrepresentation and misapprehension who do not yet seem to realize what this Bill will do and what it cannot do. I will try to make it clear to this Council that this Bill cannot confer the least benefit on agriculturists; but that, on the other hand, it will do large numbers of them great harm.

#### Suggestion of Educated Classes Not Being in touch with people Repudiated

But, before I deal with that question, there are one or two other points on which I wish to say a word. I have with regret seen it suggested by some of the official supporters of the measure that the educated classes are not really in touch with and do not understand the true wishes and feelings of the great body of agriculturists in this matter, and that their opinion on this Bill is not entitled to any weight.

be immensely strengthened, for the ground from under the feet of those who are opposed to the Bill will be cut.

### The Bill is An Encroachment on Peasants' Rights

My Lord, to my mind it is the most natural thing in the world that the agriculturists of the Presidency should have received this Bill with feelings of consternation and dismay. How could it be otherwise when we consider the nature of the Bill, the time selected for its introduction and the feelings and prepossessions of our agricultural community? I can only regard it as an instance of the malignity of fates that at a time when Government had done so much to save the agriculturists from actual starvation, and when they had been encouraged to expect specially liberal treatment in the matter of suspensions and remissions, and when in consequence they were feeling profoundly thankful to Government, this Bill should have come upon the community like a bolt from the blue, undoing, so to say, in a moment the splendid work of months, if not of years, and substituting distrust and alarm, in place of growing attachment and warm gratitude. From a return laid on the table yesterday, we find that in May last, when the Bill was introduced, the amount of arrears in the Presidency was about 2½ crores, of which Government had already decided to suspend or remit 1½ crores. Seeing that these arrears were practically for two famine years, and seeing how extensive had been the crop failure on both the occasions, I do not think the arrears were at all excessive, especially when we bear in mind that in many places the intended relief had not been definitely announced to the particular individuals concerned and, therefore, many more persons were in a state of expectancy than would have been the case if the requisite announcement had been previously made. The extent to which the Bill has frightened the people may be gauged from the fact that out of these arrears 45 lakhs have been already paid, and probably more would have been realised but for the announcement of Government made in June that no forfeitures would be made before the passing of the Bill, and that, even after the Bill became law reasonable time would be given to the occupants to pay up before forfeitures would be ordered. My Lord, the ordinary Indian peasant is so tenaciously attached to his proprietary rights over his holding, and he finds the full enjoyment of these rights so useful in actual life, that there is nothing he will not do, if it is in his power to ward off what he regards as a direct or indirect attack on those rights. And is it difficult to understand that a proposal to take away from him his power of alienating, when necessary, his holding should appear to him to be a most serious encroachment on his rights? When the Survey

and there is no earthly reason why we should champion the interests of the money-lender more than those of the ryot, even if the instinctive sympathy which all human beings feel for the weaker party in any struggle were to be withheld by us from the poor ryot. And speaking for myself, if your Excellency will pardon the egotism of a slight personal reference, I will say this : that it was my privilege to receive my lessons in Indian Economics and Indian Finance at the feet of the late Mr. Justice Ranade, who, as your Excellency so truly observed at the Bombay Memorial Meeting, was always a friend of the poor ryot, and who, it is well known, greatly interested himself in the passing and the subsequent successful administration of the Deccan Agriculturists' Relief Act. It is not, therefore, possible, unless I am prepared to prove false to the teachings of my departed master, that in any agrarian discussion I should range myself against the interest of the ryot or be swayed by a special feeling of partiality for the money-lender. No, my Lord, it is because I believe, and very firmly believe, that this Bill will prove disastrous to the best interest of the agriculturists and not because it is likely to do any harm to the money-lender—which I do not think it really will, as I will show later on—that I deem it to be my duty to resist the passing of this measure to the utmost of my power. If it is true, as I have heard it alleged, that the agriculturists themselves do not dislike this Bill, may I ask how it is that, while the petitions against the Bill have poured in upon the Council in a manner perfectly unprecedented,—and many of them are signed by large numbers of agriculturists—there is not a single petition from any agriculturist in favour of the Bill? If it be said that the agriculturists are too ignorant to formally submit an expression of their views to Government or that they have not yet had time to do so, my answer is that the first contention cannot hold good in view of the numerous petitions purporting to be in favour of the Khoti Bill<sup>1</sup> submitted by khoti tenants in the Ratnagiri District during the last three or four years; and, as regards the second contention, it only adds strength to the eloquent appeal which my Honourable friend Mr. Mehta has addressed to this Council to postpone this measure for six months. This will give the agriculturists time to petition in favour of the Bill, and then the position of Government will

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1. The reference is to the Bill introduced in the Council in 1898. It had for its objects "the abolition of crop-share and annual appraisements and the substitution of rents on a simple and equitable principle." According to Mr. A. G. Desai, author of "the Khoti Settlement Act, Bombay Act I of 1880", the Bill was one-sided, as it left the Khot almost entirely at the mercy of the tenant. The tenant could pay his rent any year in cash or in crop share, just as it might suit his convenience." The Bill was however withdrawn in July 1900 at the instance of the Secretary of State.

free or virtually free from debt; I believe these form a small proportion of the total number; (2) those who have already got into debt, but not to such an extent as to be hopelessly involved, and who are making honest efforts to keep their heads above water; these I believe constitute a large class; (3) those who are so heavily indebted as to be hopelessly involved; these also constitute a large class and they are, I believe, at present practically serfs in the hands of sowcars; and, (4) lastly, those whose lands are so poor and over-assessed that the cost of cultivation and the Government assessment eat up the whole gross produce, if, indeed, it suffices for the purpose, and who, therefore, are unable even now to raise any money on the security of their lands. This class is, like the first, numerically a small one. Let us now consider how the Bill will affect the interests of each one of these four different classes. As regards the first class, it is obvious that those agriculturists do not need Government intervention. They have so far used their credit well, and Government themselves have often decided that they have no desire to interfere with the freedom of action of these men. But if the Bill is passed, this class will be very prejudicially affected by it in one respect. These men are, at present, like other agriculturists, entitled to the relief of suspensions and remissions in times of famine. But it has been stated on behalf of Government that the proposed legislation will enable Government to determine without difficulty who should get the benefit of suspensions and remissions and who should not, a man's readiness to come under the tenure being accepted as a test of his deserving the required relief. And as men of this class will never care to part with their power of free transfer for the sake of a year's assessment, it is clear that their position will become worse when the Bill is passed, in that they will not practically get the benefit of suspensions and remissions to which they are at present entitled. My Lord, I submit it is very hard that a class which has deserved so well of the Government by reason of the judicious use that it has made so far of its credit should thus be marked for injury. The assessment of Government, as is well known, is based, in the Deccan at any rate, on an average of seasons, the standard being that in three years one is good, one bad and one indifferent. When, however, there is a succession of bad seasons, as has been the case during the last five or six years, Government are morally bound to remit a portion of the assessment as a matter of course. And it is unfair to make this relief dependent upon the applicant accepting a change in tenure which he does not like.

As regards the second class, that is, those who have already got into debt, but who are not yet hopelessly involved, their position, too, will be made much worse by this legislation. A case within my own personal experience will illustrate what I say. Government have

Act of 1865<sup>1</sup> was passed, it was claimed on behalf of Government that the conferring of the survey tenure on those who have been *upari* tenants previously practically added to the wealth of the agricultural community nearly £35,000,000 sterling. If this was not a mere idle assertion, it follows that, when it is proposed today to withdraw from a portion of the land of the Presidency the power of free transfer, it is equivalent to withdrawing a portion of the wealth that was claimed to have been added to it in 1865, and that has since been enjoyed by the survey occupants. The agriculturist feels that his power of transfer enables him to raise a loan in times of difficulty; when the difficulty passes away he, in many instances, tries his best to repay the loan; but the struggle is very hard and he often finds redemption beyond his power. All the same, he values his power of transfer and will not relinquish it if he can. Suppose Government were to declare tomorrow that Government Securities were not transferable and that the holders were entitled only to receive interest from Government. How many of us will like such a restriction? I only mention this illustration to show how, human nature being what it is, no one would like to part with a power which means a command of resources in times of need. Of course whether such unwillingness on the part of the ryot to part with his power of free transfer ought to deter Government from a course which they think to be necessary in his interests is another question. My present point is that it is not in the nature of things possible that the agriculturists could like this Bill—except, perhaps, those among them who under a misapprehension may imagine that it will enable them to get rid of their debts to the sowcar.

### The Bill will do No Good to Agriculturists

I have so far tried to show to the Council that, whatever value Government may attach to the present measure as likely to ameliorate the condition of the ryots, the opposition to it is a genuine and spontaneous opposition, and is strongest among those for whose benefit the Bill is avowedly intended, namely, the agriculturists themselves. I will now come to the question whether the Bill is really likely to do any good to anybody. My Lord, I am strongly of opinion that, so far as the agriculturists of the Presidency are concerned, it cannot do them the least good and that it will do large numbers of them great injury. Our agriculturists may be divided into four classes: (1) those who are yet

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1. This Act provides "for the survey, demarcation, assessment and administration of lands held under Government, in the districts belonging to the Bombay Presidency, and for the registration of the rights and interests of the occupants of the same."

heaviness of Government assessment, why, my Lord, these lands are practically inalienable even now, since no money can be raised on their security, and so I do not see how the position of these men will be improved by the passing of this Bill. Thus, then, of the four classes into which the agriculturists of the Presidency may be divided—and, it will be admitted, my division is exhaustive—the first two classes, i.e. just those who are entitled to the fullest sympathy and protection of Government will be very prejudicially affected by the Bill. The third class, which requires the special assistance of Government, if it is to be helped out of its present hopeless condition, and if the question of agricultural indebtedness is to be really faced, will not virtually be touched by this Bill at all; while the position of the last class will remain just what it is at present—only they will feel that their status in life has been lowered. The Bill thus will do absolutely no good, and must, on the other hand, do a great deal of harm to the agricultural community.

### The Bill Will Hasten Expropriation of Peasantry

Then, again, the apprehensions of sowcars have been aroused, and if the Bill is passed into law, a considerable number of them will arm themselves with decrees and compel the sale of the occupancies at present mortgaged to them, which they will try to buy themselves. And thus the expropriation of the peasantry, so far from being prevented, will, in fact, actually be hastened by this Bill. As regards the sowcars themselves, I think it is quite clear that the proposed measure cannot really injure their interests except, perhaps, in so far that where the new tenure comes to be substituted—which, I believe, will now be on an exceedingly small area—they will not be able to engage in loan transactions to the same extent as elsewhere. But this really is no loss as in course of time an adjustment is bound to take place, and these men will find other openings for investment.

### Government Alone Will Gain by the Bill

The only party whose position is improved by the Bill are the Government themselves. I do not mean to say that the framers of the Bill have this object in view. But that cannot alter the fact that this will be the result of the proposed legislation. In the first place, as my honourable friend, Mr. Mehta, has already pointed out, the Bill constitutes an emphatic assertion of the theory of State landlordism, and this is bound to have far-reaching consequences. The Bill means a nationalization of forfeited lands, which alters completely the character of the land tenure in the Presidency. The Honourable Mr. Monteath expressed

appointed me to administer the estate of a minor in Poona. My ward's father, a sardar of the Deccan, who used to lend money to agriculturists on the security of their lands, had advanced about seven years ago a sum of Rs. 900 at 10 per cent. to one man, whose holding will fetch, if sold in the market, about Rs. 2,000 in ordinary times. This holding has to pay an assessment of Rs. 108, and deducting that, it brings to the holder a net income of about Rs. 150, out of which, however, he has to pay us Rs. 90 a year as interest. Now for the last five years the seasons have been continuously unfavourable, and this man has not been able to pay us anything on account of interest. He managed to pay the Government assessment somehow or other till two or three years ago, and since then he has been in arrears. Now till June last this man was under the impression that his arrears would be remitted, when all of a sudden he received a notice that, unless he paid up, his holding would be forfeited. The man at once came to me in great fright and asked me to advance the amount required to pay the arrears. I asked him how I could advance any more money to him when he had not paid us the interest for the last five years. The man, however, begged hard. He said he would give me a new bond for the original Rs. 900 *plus* Rs. 500 — the amount of interest unpaid — *plus* the two hundred and odd rupees required for paying up Government arrears, or altogether for a sum of nearly Rs. 1,700. As this sum was to bear the same interest as the original amount i. e., 10 per cent., the man's proposal practically meant his utter ruin, as he would, after the new transaction, have to pay Rs. 170 a year as interest with an income of only about Rs. 150. Fortunately, the last Government Resolution on this subject has come to his rescue, and for the present at any rate, I believe, he will have no more trouble. Now this is a typical and not an isolated case, and it will illustrate how agriculturists of the second class mentioned above will be harmed by this Bill. Those men will not accept the new tenure, if they can help it, and will go on adding to their debts in bad times in order to pay the Government assessment, and even if in a few stray cases they are inclined to take advantage of the new tenure, the sowcars who have already advanced to them money will not, as I have already showed, allow the land to be forfeited, but will pay the assessment themselves and thus add to the liabilities of the occupants. The third class is of those who are hopelessly involved and whose lands are at present in the hands of the sowcars. I have already shown that this class will not be touched by this Bill at all, though some members are under a misapprehension that it will bring them relief, and I do not think I need say anything more about these men now. Finally, as regards that class of agriculturists who cannot raise any money on the security of their lands even at present, by reason of the poor character of the soil and the



select at first a small area, take over in that area the debts of the ryots from the sowcars to themselves by effecting a settlement of some sort, start agricultural banks to provide for the ordinary needs of the agriculturists who are thus taken out of the hands of the sowcars, and then declare their lands inalienable without their sanction. This would be facing the question in the only manner in which it ought to be faced, and many of our countrymen will support Government in such a policy. Government will then be incurring some risk, and will, therefore, so to say, earn a right to make an experiment in this matter. What the ryot needs is money, or, what is nearly the same thing, cheap money. And if you do not reduce what he pays at present to the sowcar or do not advance anything from the coffers of Government for helping him, how can you give any relief to the ryot? It is, I submit, not possible to improve the position of the agriculturist by a mere manipulation of the legislative machine.

### Certain Criticisms Answered

My Lord, I have said what I had to say about the Bill. I will now say a few words in reply to certain remarks which have fallen from the Honourable Mr. Monteath and the Honourable Mr. Lely in the course of this debate. The Honourable Mr. Monteath, if he will pardon my saying so, spoke with somewhat unnecessary warmth about certain observations contained in my minute of dissent. The honourable member told us that I was not correct in saying that "in no other province of British India has the executive such wide discretionary powers about waste, forfeited or relinquished lands, as the Bombay Government are seeking to acquire by means of this Bill," and he went on to say that in every other province the executive already possessed such powers and that Bombay alone was behind them in this respect. Now, my Lord, I do not know where the honourable member has obtained this law from. The statement in the minute of dissent was not made without a careful inquiry, and I claim that I am right in the view I have taken, and the honourable member is quite mistaken. I repeat that in no other province has the executive got the power of transferring land from one kind of tenure to another in the exercise of its own discretion. Waste lands to which the survey settlement has been extended as also forfeited and relinquished lands are, at present, in this Presidency under the survey tenure, i.e., they can be granted to occupants only in perpetuity and with the full power of alienation. Under this Bill Government seek to obtain the power to change the tenure of these lands whenever and wherever they please. If the honourable member will be so good as to show me his authority for his statement, I shall be glad to modify my view of the matter. Then again, my Lord, I was amazed yesterday to hear what he said about the present law as

his surprise yesterday that I should call the Government scheme a measure for the nationalization of forfeited lands. I do not know in what sense the honourable member understands the word nationalization, but if he takes it in the sense in which political economists use the term, I do say, and I say it emphatically, that the Bill constitutes a scheme for the nationalization of forfeited lands. The honourable member will remember that the Relief Act Commission of 1891<sup>1</sup> discussed in their report the question whether Government might not buy lands themselves instead of letting the sowcars secure them and then re-grant them to agriculturists as tenants of the State without, of course, the power of alienation. They pronounced the proposal a good one if it could be carried out; but they considered the cost would be prohibitive and that there were other difficulties also in the way. What they thus considered was unattainable by reason of its excessive cost, Government now propose to achieve by foregoing merely a year's assessment when the average price of land according to the Honourable Mr. Monteath's own testimony is twenty-five times the assessment. And what is this, my Lord, but nationalization of land for a most trifling amount?

### Wide Discretionary Powers A Real Danger

Then, my Lord, the wide discretionary powers, which Government propose to take under the Bill, will enable them whenever they like — though this is not desired at present — to grant short leases or take land for public purposes without any compensation, or allot it to whomsoever they please. This, my Lord, is a real danger, because the tendency of revenue officers generally is to put the widest possible interpretation on the powers of Government for the purpose of enhancing the Government revenue in every possible way. Take, for instance, the question of building fines and assessment; who would have thought before 1865, when there were neither building fines nor special assessments for building sites, that in a few years Government would advance their claims from point to point in such a manner as to end by claiming for themselves the entire non-agricultural market value of unalienated land? It has been stated that Government intend the Bill to be in the nature of an experiment. But, I think, there are grave objections to Government embarking upon an experiment which, it is quite clear, is bound to fail and which will bring needless discredit on the policy of restricting the power of alienation, which, under certain circumstances, may prove useful. If Government really want to make an experiment which has reasonable chances of success, let them

1. A special commission appointed in 1891 "to inquire into the working of the Deccan Agriculturists' Relief Act of 1879".

### Opponents of the Bill Are Not Mere Critics

The Honourable Mr. Lely, in the course of his remarks, regretted that men of education and of undoubted patriotism should confine themselves to the work of mere criticism and should oppose so small a measure framed in the interests of their poorer brethren. He seemed to think that our energies would be much better employed if we gave up this negative work of mere criticism and came forward to initiate measures of reform. Now, my Lord, in the first place it should be remembered that in all countries with strong centralized Governments the work of initiating important measures naturally devolves upon the Government. Moreover, what opportunities have we for initiating important measures? Put men like the late Mr. Ranade or my honourable friend Mr. Mehta on your Executive Councils. Place them in a situation of real power and responsibility, and then we undertake to show that we can initiate measures as well as anyone else. It is because you have power to carry out your ideas and we have not, that we appear to you to be engaged in unpractical or academic discussions while you claim for your efforts the character of practical or constructive work. We are not, to use the words which Lord Curzon<sup>1</sup> once applied to the Liberals in speaking of the Cretan question, "so empty of suggestion and full only of denunciation," as some people imagine. But perhaps it is not the part of wisdom to talk of what cannot be. Let not the Council misunderstand me. I say this in no spirit of discontent, but merely to repel a charge which we think we do not deserve. I freely recognize — what the late Mr. Ranade so often used to impress upon our minds — that though there may be less field for personal ambition and less scope for the display of individual talent under the present regime, there is ample compensation and more than that in the blessings of peace and of order well established, in the larger possibilities of enlightenment and progress secured to the mass of our countrymen, in the higher ideals of civic and national life to which we have been introduced, and in the rousing of the moral energies of our people.

### Concluding Remarks : Appeal for Postponement

And now I come to the concluding portion of my speech. I earnestly implore the Council to accept the amendment of my honourable friend, if not in the form in which it is proposed, in some other form which may be more acceptable. And I base my request on two grounds. In the first place this voluminous mass of petitions has not

1. see foot-note on p. 97.

to the disposal of forfeited lands. The minute of dissent states that at present forfeited lands are sold to the highest bidder, except in certain exceptional cases, such as a combination not to buy the land at a fair price. And when these sales take place the proceeds after deducting the arrears of land revenue and the expenses of sale, are credited to the defaulting occupant. It is only in those exceptional cases where sales cannot take place for certain specified reasons, that the Collector has power to dispose of the land in any other way, of course, without changing the character of the tenure under which it is held. The honourable member said yesterday that whatever might be the present practice, this was not the present law on the subject. Now, my Lord, it is almost presumptuous on my part to pit myself in this matter against the honourable member, who is well known for his great abilities, who has been a Revenue Officer all his life, and who presides at present over the Revenue Department of the Presidency. Still, my authority for my statement is unimpeachable. Here I hold in my hand the Land Revenue Code of the Presidency, and I make bold to say that a reference to the provisions contained in it, on the subject of the disposal of forfeited lands and especially to Rule 60, will show that my view of the matter is absolutely correct.

My honourable friend also challenged me yesterday to draft a section, — and he offered to give me a certain amount of time to do it in — so as to limit the discretionary powers of Government, as we desire to limit them, and yet to provide for all those cases for which, he says, provision is necessary. Now, in the first place I think this is not a fair challenge to throw down to me. Are the drafting resources at the disposal of Government so inadequate to the work of framing a small section such as would meet all requirements? Cannot the Advocate-General who occupies so high a position in the Bombay Bar or the Legal Remembrancer, who is already recognized to be one of the ablest Civilian Judges in the Presidency, help the honourable member in this little matter, that he should ask me, who am no lawyer and have only my own plain common sense to guide me, to do this work? However, my Lord, as the honourable member has thrown down the challenge, I make bold to accept it and I venture to assure him that, with the assistance of my lawyer friends, I will produce such a section as he suggests if he will give me the necessary time that he has already promised. Surely it cannot be difficult to frame a section which provides that, when land is given for a temporary non-agricultural purpose or is given to wild tribes for agricultural purposes, the perpetuity tenure should not apply. Now that I have accepted his challenge, I hope the honourable member will not proceed further with the Bill today.

He said : It is because we are able to take a more impartial view of things here than in England, having no personal interest to think of. I think, my Lord, this explanation is true as far as it goes, but it does not state the whole truth. I think it is also because too much power has produced a sense of irresponsibility. Does any one imagine that a measure of such far-reaching tendencies would have been introduced in England and rushed through Parliament with so much precipitation in spite of the unanimous protests of the people ? And I submit that the deliberation which becomes in England a duty of Government, owing to the power of the electors, should also be recognized by the British Government in India as a duty under a sense of self-restraint. My Lord, what is the position here today ? We, the elected members of this Council, are absolutely unanimous in resisting this Bill, and though our voting power is not large enough under the constitution of this Council to prevent the passing of any measure which Government are determined to carry, we represent, when we are unanimous, a moral force, which it is not wise to ignore. For better for worse, you have introduced the elective element into your Councils, and according to your own English ideas, you must now accept us as speaking not for ourselves individually but in the name of those who have sent us here. And if a standing majority has been secured to Government under the constitution, its real purpose, I take it, is not to enable Government to ride roughshod over our unanimous expressions of opinion, but to prevent the non-official members from combining and overthrowing anything that Government may have done. This, I submit, is the only true interpretation of the present constitution of this Council. My Lord, the Government, with their superiority in votes, can pass this measure here today, but let them remember the words of the poet :

Oh 'tis excellent to have a giant's strength,  
But 'tis tyrannous to use it like a giant.

Nothing can fill us with greater sadness than this spectacle of Government trying to carry a measure in such haste and without proper deliberation—a measure that is bitterly resented by the agriculturists, that has roused the apprehensions of the sowcars and that is condemned by the educated classes with one voice and in no uncertain terms. Is it wise that Government should reduce us, the elected members, to a position of such utter impotence, of such utter helplessness that our united appeal should not secure even a brief postponement for a measure of such great importance ? My Lord, I appeal to your Excellency personally in the matter. Your Excellency has come fresh from a land where political opponents receive greater consideration and better care is taken of the several conflicting interests that must be harmonized in every important legislative measure. Your Excellency is free from what the

been so much as looked at by any one on behalf of the Council. I have already pointed out that the Select Committee's deliberations had come to a close before a single one of these petitions had reached the Council. Of what use, my Lord, is it for the people to petition, if those to whom the petitions are addressed will not even care to look at them? It was not thus that the Honourable Sir Charles Ollivant<sup>1</sup> dealt with the numerous petitions against the District Municipal Bill<sup>2</sup>. It is not my object, my Lord, to praise one member of the Government at the expense of another — that would be an unworthy artifice—but I mention this because it illustrates my idea of how a measure should be considered by Select Committee. Sir Charles Ollivant used to go himself through the petitions, as far as possible, and, if he had no time, he asked us to go through them and bring the principal points to his notice. He was always ready to enter into our feelings, to accept whatever suggestions appeared in the course of the discussion to be good, and always ready to meet us at least half-way. He was not wanting in strength. The iron hand, we felt, was always there; but he ever took care to put on the velvet glove. I submit it is not right to strike us with the mailed fist after the manner of a certain high potentate. My second ground for asking for a postponement is that the reason which was mentioned by the Honourable Mr. Monteath at Mahableshwar for rushing the Bill through the Council no longer exists. The honourable member told us at Mahableshwar that it was intended to make the new experiment on a large scale, and it was necessary to pass the Bill before the beginning of the new Revenue year, i.e., the 1st of August last. Well, the 1st of August is already past; and as regards the area on which the experiment can now be tried, the resolution recently issued by Government directing that no forfeitures should take place for one year, practically settles that question. You will now get only an exceedingly small area — if you get any at all — for trying your experiment on. I submit, therefore, that there is now absolutely no justification for proceeding with this measure so precipitately. My Lord, the late Mr. Ranade, in a lecture which he delivered some years ago at the Deccan College, "On Some Aspects of Indian Political Economy," referred to the curious phenomenon of Anglo-Indian Administrators, who are strong Conservatives in English politics, developing radical and even socialistic tendencies in dealing with certain aspects of Indian Administration. I asked a high officer of Government for an explanation of this phenomenon a few days ago.

1. Municipal Commissioner, Bombay (1881-90); Political Agent, Kathiawar (1890-95); member, Bombay Executive Council (1897-1902).

2. Passed on 16th February 1901. Sir Charles Ollivant was chairman, and Gokhale one of the members, of the Select Committee which considered the Bill.

Honourable Sir Charles Ollivant called the other day "deteriorating limitations." I appeal to your Excellency to pause—pause before it is too late, pause in spite of anything your Excellency might have said yesterday. During the brief time your Excellency has been at the head of the Administration in this Presidency, you have taught us to look up to you, not only with respect—that is due to all Governors—but also with confidence and, if I may be permitted to say so, with feelings of deep attachment. The people of the Presidency look up to your Excellency, even at this last moment, to come to their assistance, and I fervently hope and trust that they will not look in vain.

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[ *When the amendment was declared lost, Mr. Mehta, Mr. Khare, Mr. Parekh, and Sir Bhalchandra Krishna withdrew from the Council Hall. Before following them, Gokhale spoke as follows :* ]

Your Excellency,—May I offer a word of personal explanation? In the remarks which I made this afternoon I did not like to say anything as to the course I should take if the amendment were lost. I think it my duty, my Lord, now to say that I must follow the course which has been taken by some of my honourable colleagues. I take this course with the greatest reluctance and regret. I mean no disrespect to your Excellency or your colleagues personally. It is only an overwhelming sense of duty which urges me to take this step because I am not prepared to accept even the remote responsibility of associating myself with this measure which my further presence here would imply.

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## FINANCIAL STATEMENT, 1901-02

[At a meeting of the Bombay Legislative Council held at Poona on Thursday, the 22nd August 1901, Lord Northcote, the Governor, presiding, Gokhale spoke as follows on the Financial Statement for the year 1901-02:]

Your Excellency,—It is, I confess, a somewhat ungracious task to have to criticise a Financial Statement, such as it has fallen to the lot of the honourable member<sup>1</sup> to lay before this Council. The statement contains, as usual, the actuals for one year, the revised estimates for another, and the Budget estimates for a third; and in every one of these three years a deficit has been averted only by a special contribution in aid from the Government of India. A position so desperate might ordinarily be expected to disarm criticism, and if the non-official members of Council venture to offer today a few observations on the administration of the finances of the Presidency, it is not because they fail to recognize the great difficulties which the honourable member has had to contend with or that they do not appreciate the hard work and unremitting vigilance and the honest desire to be fair to all interests which characterise the honourable member's discharge of his duties. My Lord, this is the only opportunity that we get in the course of the year to give expression to our views in regard to the several branches of the Provincial administration, and in our criticism, therefore, we naturally have in view not so much the particular work of the Revenue Member for the year as the general administration of the finances of the Presidency. The Budget discussion of last year, the Council will remember, turned mainly on the character of the land revenue administration of the Bombay Government. The question has assumed, if anything, even greater prominence today, and I think the more important objections to the present system might be usefully summed up on this occasion.

### Land Revenue Assessments Excessive and Uneven

Our first contention is that the assessments are in some cases excessive, and that over large areas they are very uneven. That the poorer lands are in some cases over-assessed was admitted by the honourable member himself at Mahableshwar<sup>2</sup>, and the fact that the

1. Mr. J. Monteath, Revenue Member.

2. In the course of his speech introducing the Bombay Land Revenue Code Amendment Bill at a meeting of the Council held at Mahableshwar on 30th May 1901, Mr. Monteath had said: "We do not contend that the Survey Department has made no mistakes, and we have found indications that either on account of mistakes or owing to deterioration from various causes the assessment is in some places, for the present at any rate, higher than it should be."—(Bombay Government Gazette, August 1, 1901, Part V, p. 268).



Fergusson College,  
Poona

5<sup>th</sup> July, 1901

My dear Mr. Dixit,

I hope to be in  
Bombay on the 8<sup>th</sup> & 9<sup>th</sup> instants,  
when I wish take the opportunity  
to call on you. We can then talk  
about this election business. I  
would like to consult Mr. Keshu  
before finally making up my  
mind.

Yours sincerely  
G. Keshu

Facsimile of Gokhale's handwriting

## FINANCIAL STATEMENT, 1901-02

[At a meeting of the Bombay Legislative Council held at Poona on Thursday, the 22nd August 1901, Lord Northcote, the Governor, presiding, Gokhale spoke as follows on the Financial Statement for the year 1901-02:]

Your Excellency,—It is, I confess, a somewhat ungracious task to have to criticise a Financial Statement, such as it has fallen to the lot of the honourable member<sup>1</sup> to lay before this Council. The statement contains, as usual, the actuals for one year, the revised estimates for another, and the Budget estimates for a third; and in every one of these three years a deficit has been averted only by a special contribution in aid from the Government of India. A position so desperate might ordinarily be expected to disarm criticism, and if the non-official members of Council venture to offer today a few observations on the administration of the finances of the Presidency, it is not because they fail to recognize the great difficulties which the honourable member has had to contend with or that they do not appreciate the hard work and unremitting vigilance and the honest desire to be fair to all interests which characterise the honourable member's discharge of his duties. My Lord, this is the only opportunity that we get in the course of the year to give expression to our views in regard to the several branches of the Provincial administration, and in our criticism, therefore, we naturally have in view not so much the particular work of the Revenue Member for the year as the general administration of the finances of the Presidency. The Budget discussion of last year, the Council will remember, turned mainly on the character of the land revenue administration of the Bombay Government. The question has assumed, if anything, even greater prominence today, and I think the more important objections to the present system might be usefully summed up on this occasion.

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assessments in numerous instances are very uneven is, I believe, not denied; but the honourable member holds that, on the whole, the assessments are moderate and reasonable, and he relies on two phenomena in support of his opinion. The first is that the average selling value of land is now about twenty-five times the assessment, and the second is that money rents are from twice to seven times the assessment. Now, I would, in the first place, like to know how the average selling price is determined. The Deccan Agriculturists' Relief Act Commission of 1891<sup>1</sup> has given in its report figures of selling value for the four districts in which the Act is in operation for nine years—from 1883 to 1891—from which I find that while in the districts of Poona and Satara the average selling value during the time was about twenty-five times the assessment, in Sholapur and Ahmednagar it was about eleven times the assessment. And since 1891 we have had a period of great agricultural depression, and the selling value of land could not certainly have gone up during this time. Assuming, however, that the average price of land today is about twenty-five times the assessment, that by itself, I submit, does not prove much. It is well known that our people, especially retired Government servants, when they have any savings to invest, invariably try to buy land, not merely because the possession of land carries with it a certain social status, and agricultural pursuits furnish the most congenial occupation to old men, but because these people do not consider any investment safe except investment in land or Government securities, and between the two they naturally choose the former wherever they can. Capital with us is exceedingly timid, and shrinks from the first risks to which a new industrial undertaking is exposed; joint stock enterprise is still very feeble, and thus we have the deplorable phenomenon that, while the great want of the country is capital for industrial undertakings, a large portion of our savings comes to be locked up in land or Government securities. And these men who invest in land in haste, as a rule, repent at leisure. One constantly hears the complaint from those who buy land that taking one year with another they do not get more than two or three per cent. interest on their investment. The high market value of land, therefore, is more an indication of the competition among buyers than of low assessment. As regards money rents being twice to seven times the assessment, I admit that where such rents are realized, and where they are strictly economic rents, that is, where they do not trench upon what should go to the cultivator as his fair share of wages, they are an indication that the assessment is not high. But are these money rents always more than double the assessment? I have made inquiries in the Shergaon and Nevasa talukas of the Ahmednagar

1. see foot-note on p. 438.

District on this point, and I find that in several instances the assessment is two-thirds or three-fourths of the money rent. I have got with me details of names and survey numbers which I shall be glad to supply to the honourable member if he likes. Then, again, as an able and indefatigable correspondent<sup>1</sup> of the *Times of India* has been recently pointing out, there are large areas of very poor land which give hardly a fair return for labour, and which, in consequence, leave nothing to be paid either as rent or assessment. The whole question is, therefore, one which may fitly form the subject of a Government inquiry. The Bombay Government unfortunately does not recognise, as the Madras Government does, that there should be a direct connection between net produce and Government assessment. It was laid down by the Court of Directors in 1856 that the Government demand should in no case exceed one-half the net produce. The Madras Government has all along followed this direction in practice, but here, in this Presidency, it was considered that the net produce was difficult to determine, and that more reliable guidance was supplied by the productive capacity of the land itself. Now, my Lord, Madras is governed by the same class of men that administer the affairs of this Presidency, and I wonder why the adoption of a standard which has been found practicable in Madras, and which is obviously based on reasonable considerations, should be found so impracticable in this Presidency.

### Revision Settlements should follow Course of Prices

Another observation, which I would submit on this land administration question, is that the time has now come when revision settlements should be made to follow automatically the course of prices, *caro* being, of course, first taken to equalise the assessment where it is very uneven. Now that the Survey Department has been abolished and second revisions completed everywhere so as to secure what is called an initial settlement, there is no reason why this Government should not give the fullest effect to the policy suggested for its adoption by the Government of India in 1883. This is, I submit, not going so far as the British Government itself was prepared to go in the sixties when Viceroy's like Lord Canning<sup>2</sup> and Lord Lawrence<sup>3</sup>, and Secretaries of State like Sir Charles Wood<sup>4</sup> and Sir Stafford Northcote<sup>5</sup> considered that in the best interests of the State and of the people it was most desirable to settle the State demand

1. Rao Bahadur Ganesh Vyankatesh Joshi (1851-1911); statistician and educationist; served as a teacher in the Bombay Education Department (1873-1907); used to write in the *Times of India* on financial and economic problems over his initials; president, Bombay Provincial Conference (1905); member, Bombay Legislative Council (1910-11).

2. see foot-note 2 on p. 18.

4. see foot-note 1 on p. 18.

3. see foot-note 3 on p. 18.

5. see foot-note on p. 17.

permanently wherever certain conditions were fulfilled. Thus your Excellency's father laid down in a famous despatch that where eighty per cent. of the cultivable land was brought under the plough, and there was no prospect of canal irrigation increasing the produce by more than twenty per cent., the State demand should be fixed in perpetuity. Unfortunately these statesmen were succeeded by others who came to think that such a permanent settlement of Government assessment involved too large a sacrifice of prospective revenue, and they, therefore, did not carry out the policy of their predecessors. And, finally, in Lord Ripon's<sup>1</sup> time a compromise was arrived at, virtually intended to make the settlement dependent upon the course of prices taken every thirty years. I am aware that the Bombay Government resisted the adoption of the policy thus recommended by the Government of India, and it is an interesting fact that the correspondence on the side of the Bombay Government is signed by the Honourable Mr. Monteath, who then occupied the much humbler position of Under-Secretary to Government. But the closing of the Survey Department and the completion of second revision settlements leave practically no justification now to the Bombay Government for postponing the adoption of that policy. Of course, it is understood that, when settlements follow prices, not more than half the increase in prices shall be taken by Government as laid down by Sir Bartle Frere<sup>2</sup> and Colonel Anderson<sup>3</sup>, as it is only fair that the other half should be left to the agriculturist to compensate him for the higher cost of production and the higher expense of living.

**Suspensions should be based on Crop Failure, not Individual Inquiries.**

My next suggestion on this subject is that, in granting suspensions of land revenue, Government should abandon their present policy of making individual inquiries, and they should adopt crop-failure as their basis for granting the suspensions, as is done in other provinces. The evils and hardships which are inseparable from the present policy of inquiring into the ability of each individual to pay, and the advantages which result from the adoption of the second method, cannot be better described than in the language of the present Chief Commissioner of the Central Provinces, from whose Famine Report for 1899-1900 I ask your Excellency's permission to read a few extracts :

The two factors which must influence the principles on which revenue has to be suspended in the face of a calamity like the present are : first, that under the Tenancy Law of the Province a suspension or remission of land revenue must precede a suspension or remission of rent; and, secondly, that great promptness is essential if the full benefits are to be derived from the suspension.

1. see foot-note 1 on p. 32.

2. see foot-note 2 on p. 400.

3. Col. G. S. A. Anderson, Survey Superintendent, in Ahmednagar (1854) ; Political Agent, Kolhapur (1867).

It is quite true, my Lord, and we gratefully acknowledge the fact, that this year the Bombay Government has not been illiberal in the grant of suspensions and remissions, as much as fifty-three lakhs of rupees being marked for remission and seventy-five lakhs being suspended. Government has also made tagavi advances to cultivators on an unprecedentedly large scale, and we see from the Financial Statement that it is intended to remit a portion of these advances. Unfortunately, however, the effect of these liberal concessions has been to a considerable extent marred by Government insisting on making individual inquiries, and by the great delay that has in consequence occurred in announcing the relief to the agriculturists concerned. I fear, my Lord, that, owing to this delay and owing to the apprehensions that have been, on all sides, aroused in consequence of the introduction of the Land Revenue Bill, an appreciable number of those on whom Government must have intended to confer the benefit of remission or suspension must have made desperate efforts to pay the Government demand.

### Assessment should vary with Outturn of Crop

Closely connected with the necessity of granting suspensions and remissions is the question of substituting a scale of fluctuating assessments, varying automatically with the outturn of crops in place of the present policy of rigidly collecting a fixed amount in good and bad years alike. It strikes me, my Lord, as somewhat strange that a Government, which so often complains of the hopeless improvidence of the ryot, should at the same time credit him with such habits of provident thrift as to expect him to save out of a good year to make up the deficiency of a bad year. Both the Deccan Riots Commission<sup>1</sup> and the Relief Act Commission<sup>2</sup> have strongly expressed their disapproval of the present Bombay system, though the latter body have added, in a tone of helplessness, that "the Bombay Government have already decided against any system of fluctuating assessments, and the Commission have no desire to reopen the controversy." I have heard it stated, however, that recent experiences have at last led the Bombay Government to reconsider its position in this respect, and that there is some ground for hoping that the excessive rigidity of the present system will not long be maintained.

### More Suitable Dates for Collection of State Demand Required

My last suggestion in this connection is that more suitable dates than those which are appointed at present should be fixed for the

1. see foot-note on p. 416.

2. see foot-note on p. 438.

realization of the State demand. Both the Deccan Riots Commission and the Relief Act Commission have strongly recommended such a change, and I believe there are many officers of Government who admit that the present dates place the agriculturist at a considerable disadvantage in the matter of realising a fair price for his crop. It is true that if later dates than the present ones are appointed, the recovery of Government assessment may be a little more difficult, but such difficulty ought to be faced, as the present system causes a perfectly needless loss to many honest agriculturists.

Thus, then, my Lord, if Government will abate the State demand where it is excessive and equalise it where it is uneven, make revision settlements in future follow automatically the course of prices and prices only, abolish individual inquiry and substitute in its place crop-failure to regulate suspensions and remissions when droughts occur, thus practically introducing fluctuating assessments in place of the present rigid collections of a fixed amount alike in good and bad years, and fix more suitable dates for the payment of the State demand, the public will have no more quarrel with the Land Revenue Administration of the Presidency, and Government will have done everything reasonable to place it on a satisfactory basis. After all, the success of the Land Administration must be judged more by the incentives it supplies to agricultural improvement and the prosperity that it brings to the ryot than by the amount of revenue which it brings to the Exchequer of the State.

### Reduce Irrigation Rates

Having made these observations on the Land Revenue Administration of the Presidency, I will now, with your Excellency's permission, offer a few remarks on the working of some of the Departments. And first I will take the Irrigation Department, which is so intimately connected with Land. My Lord, it is a matter for great satisfaction that Government has been pleased to appoint an officer of the standing of Superintending Engineer on special duty for the purpose of examining the feasibility of several irrigation projects in the Presidency. I earnestly trust that his labours will bear good fruit; but whether he is able to suggest projects of some magnitude or not, I hope Government will push well-irrigation much more than is being done at present. In this connection, I would like to know why there is in this Presidency such great disproportion between the total irrigable area and the area actually irrigated. From the Irrigation Revenue Report for the year 1893-1900, I find that while the total area irrigable by the major works in the Presidency proper is 230,685 acres, the area actually irrigated last year was only 67,227 acres, or less than 30 per cent. From a

Resolution of the Government of India on the subject of irrigation works issued some time ago, I find that while the average rate per irrigated acre is in the Punjab about Rs 3½ an acre, in the North-Western Provinces nearly Rs. 4, in Madras less than Rs. 3, in Bengal and Sind less than Rs. 2, in our Presidency proper it is nearly Rs. 9 per acre. It is true that the crops grown here are shown as more valuable; still there must, I think, be some connection between the strikingly high average rate levied here and the comparatively small proportion of the total irrigable area which is actually irrigated. If this view be correct, would it not, I ask, be a better plan to lower the rate so as to lead to increased consumption of water? For the policy of high taxation and restricted consumption, which is considered to be specially suited to intoxicants, is certainly not the right policy here. Lower rates might temporarily lead to a diminution of revenue but in the end such a policy is bound to succeed even financially.

### Suggestions Regarding Forest Department

In regard to the Forest Department I have only one suggestion to offer and one inquiry to make. The suggestion is that in view of the great depletion of agricultural stock that has taken place as a result of successive famines, the specially high fees which are levied for grazing from professional graziers should for a time at least be lowered. And the inquiry is why, while the extent of forest area in the Central and Southern Circles is nearly equal, the number of prosecutions for forest offences, as also the number of cases compounded in the Central Circle, should be so largely in excess of those in the Southern Circle. From last year's Forest Administration Report I find that in the year 1897-98, while the number of prosecutions in the Southern Circle was only 485, that in the Central Circle was 1,580. Similarly the cases compounded in the former were 660 as against 3,389 in the latter. Also the total number of animals seized in the former was 12,968 as against 218,300 in the latter. For the year 1898-99 the figures are equally disproportionate. We have in that year 311 prosecutions, 1,199 compounded cases and 14,297 animals seized in the Southern Circle, as against 1,046 prosecutions, 3,172 cases compounded, and 145,257 animals seized in the Central Circle. Such a striking difference between the figures of the two Circles, which have nearly the same forest area, calls for an explanation. The Central Circle, unlike the Southern Circle, is a source of net loss to the State, and a large portion of it is, I understand, of very poor value for real forest purposes. It seems to me that a considerable area of this Circle might well be disforested, and this will not merely reduce the net loss to the State, but it will relieve many villagers from harassing restrictions and the oppression of the subordinates of the department.



### Abkari Department must aim at Reduction of Drunkenness

As regards the Abkari Department I think it is deplorable that its operations should aim so much at safeguarding the interests of Government revenue and so little at reducing drunkenness. Take, for instance, the cases of the Thana and Surat Districts. What has, I ask, the department done in all these years to reduce the excessive consumption of drink in these districts? The Abkari revenue has no doubt steadily risen, till in 1898 the taxation per head in these districts came to one rupee and twelve annas in Surat and one rupee and five annas in Thana, as against about four annas for the rest of the Presidency outside the Presidency town. When we remember that a large proportion of the population of these two districts must consist of total abstainers, we can easily understand how heavy a burden drink imposes on those classes in these districts that indulge in it. Government seems to imagine that its duty in this matter is done by simply making liquor as costly as it can be made by the imposition of a high duty, ignoring the obvious fact that, unless facilities for obtaining drink are reduced, a high price in the case of such an article as liquor merely means so much more taken out of the pockets of the poor consumer. Last year's Abkari Administration Report says that in the case of Thana and Surat, drink "may be regarded as almost a necessity." If Government is really of this opinion, there is no justification for its taxing liquor so highly in these two districts. Meanwhile, a gradual reduction in the number of liquor shops ought to be tried with a view to testing if it is really impossible to wean the people from drink, and I, for one, am hopeful that such a policy will be attended with beneficent results.

### Income-Tax Assessments Arbitrary and Capricious

I now come to the question of income-tax collections, and here I deem it my duty to bring to your Excellency's notice the great dissatisfaction which prevails throughout the Presidency as regards the manner in which the assessments to this tax are fixed and the sudden enhancements which are from time to time made in these amounts, not only without adequate grounds, but in some instances without the least justification whatever. The following extract from the Government Resolution on the income-tax operations of last year shows clearly the purely speculative and, therefore, highly unjust and oppressive character of some of these operations. Speaking about the working of the income-tax in the city of Bombay, the Government Resolution says:

In the year under report the original demand was raised from Rs. 20,52,926 to Rs. 30,83,433 with the object of throwing on many assesses the responsibilities of furnishing evidence of their income. No less than 40·71 per cent. of this demand, however, was reduced on inquiry, and the final demand was Rs. 18,31,302

against Rs. 17,52,980, or Rs. 48,000 in excess of the previous years. But the net gain in actual collections was only Rs. 12,080. The result of the measure does not at first sight appear very satisfactory, but it is probable that without it there would have been a considerable decrease attributed to the effects of plague, famine, and the depression of the mill industry.

Now, my Lord, it is monstrous—it is a strong term to use, but, I think, it is deserved—that in a year of general depression and widespread suffering, the original demand under the income-tax should thus be suddenly raised from 2,000,000 to 3,000,000 with no other object than that of preventing a fall in the revenue. What of the worry and anxiety and loss of time caused to the assesses by this speculative and wholly unjustified increase in the Government demand? It appears that the Bombay assesses were rather fortunate in the revision proceedings, but in the mofussil, while the assesses are subjected to equally arbitrary and unaccountable enhancements of the assessment, they are not so fortunate in their attempts to get the demand revised. In cities like Poona, Ahmedabad and Surat, the powers of revision are exercised by the assessing officers themselves, and even where they are exercised by other officers the proceedings generally are of a most unsatisfactory character. It is, I think, a significant fact that while the Presidency has, during the last five years, suffered grievously from plague and famine and a depression of the mill industry due among other things to the currency legislation of Government, the Provincial share of the income-tax which is half of the whole should still stand for the year 1899-1900 at Rs. 19,90,000 as against Rs. 19,97,000<sup>1</sup> for the year 1894-95. The evil about capricious and highbanded assessments and the virtual impossibility of getting redress is now so widespread and has become so intolerable that it is, I respectfully submit, the duty of Government not to allow this state of things to continue longer. If Government will be pleased to appoint a special officer to inquire into the grievances of the people in this matter, and if a native colleague speaking Marathi in the Deccan, Kanarese in the Carnatic, Gujarati in Gujarat, and Sindhi in Sindh, be associated with him, a six months' inquiry in a few selected places in each division will bring to light so many cases of hardship and injustice that Government itself will be surprised that such a state of things has prevailed so long.

#### Wide Diffusion of Primary Education "A Pressing Need"

The last department on which I desire to offer a few remarks is the Education Department, and here I would specially draw your Excellency's attention to the utterly inelastic, and, therefore, highly unsatisfactory provision which is under the present system made for

1. In the official text the figure is Rs. 1, 99,700,000 which is obviously a mistake.

primary education. Outside the municipal towns the cost of this education is borne by Local Boards, which are required to spend on it one-third of the proceeds of the one-anna cess, Government ordinarily contributing a proportionate grant-in-aid. Now our assessments are fixed for thirty years, and therefore the proceeds of the one-anna cess must also remain fixed for that period. It is true that taking one district with another the Land Revenue is always showing some increase in consequence of Revision operations going on somewhere or other. But if we take each district separately, it will be seen that the provision which it can make for primary education out of its one-anna cess is absolutely fixed for a period of thirty years, and as the Government contribution ordinarily depends upon the amounts spent by the boards, the utterly inelastic character of the provision for primary education will be at once obvious. In fact under this system no expansion can take place even to correspond to the normal growth of population. Now, my Lord, however adequate this provision might have been when public education in the Presidency was placed on its present basis, it must be admitted that we have now out-grown this system. In the leading countries of the West, the State has now definitely accepted the responsibility of supplying free primary education to all its subjects, and the United Kingdom spent last year more than thirteen million sterling from the Treasury, that is, more than 10 per cent. of its total revenues on the primary education of the people. By the side of such expenditure, how painfully paltry is the contribution of Government to the cost of primary education in this country! I think the time has come when the Government expenditure on primary education, instead of being a certain proportion of the amounts spent by the boards, should be a certain proportion of the total Provincial revenues. There are those who ask what good this kind of education can do to the mass of people in this country. I think that it is a very narrow view to take of the matter. In individual instances primary education may not show very decided results, but taken in the mass it means for the bulk of the community a higher level of intelligence, a greater aptitude for skilled labour and a higher capacity for discriminating between right and wrong. It raises, in fact, the whole tone of the life of large numbers, and I strongly feel that its wide diffusion is even more urgently needed in this country than elsewhere. My Lord, I do not wish to detain the Council longer. I sincerely join in the hope which the honourable member has expressed in the concluding paragraph of the Financial Statement that the Presidency has perhaps seen the end of its financial difficulties, and that it may now enter on a period of renewed prosperity and progress.

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# Sec. III: Welby' Commission Evidence

## GOKHALE'S WRITTEN EVIDENCE

*April 12th and 13th, 1897.*

I am the Honorary Secretary of the Deccan Sabha, an Association established in Poona for promoting under British rule the political interests of the Indian people. For seven years I was the Honorary Secretary of the Poona Sarvajanik Sabha — another political Association in Poona of a similar character — and Honorary Editor of its Quarterly Journal, a magazine dealing principally with questions of Indian Finance and Indian administration. I am, besides, a member of the Council of the Bombay Presidency Association<sup>1</sup>, on whose behalf my friend, Mr. Wacha<sup>2</sup>, has given evidence before this Commission. For four years I was one of the Secretaries of the Bombay Provincial Conference. I was also a Secretary of the Eleventh Indian National Congress that met in Poona in 1895. I was for four years one of the Editors of the *Sudharak*, or "Reformer," an Anglo-Marathi weekly of Poona. Lastly, I belong to a body of men in Poona who have pledged twenty years of their life to the work of education, and am Professor of History and Political Economy in the Fergusson College.

In accordance with the plan adopted by the Commission, I will divide my evidence into three portions — the Machinery of Control, the Progress of Expenditure, and the Apportionment of Charges between England and India.

### Importance of the Question of Machinery : General Remarks

The question of the machinery of Constitutional Control is, in my opinion, a question of the highest importance. I may state, at the outset, that the position of India, so far as the administration and

1. see foot-note on p. 305.

2. see foot-note on p. 150.

3. *Dinshaw Edulji Wacha*, (1844-1936); member, Bombay Municipal Corporation for thirty years and its President in 1901; member, Bombay Legislative Council, Indian Legislative Assembly and Council of State; President, Indian National Congress, (1901), and its General Secretary (1896-1913); author of 'Life of I. N. Tata', 'Life of Premchand Roychand', 'the Rise and Growth of Municipal Corporation',



D. E. Wacha

Dadabhai Naoroji

Gokhale

Hunter<sup>1</sup>, Mr. (now Sir James) Westland,<sup>2</sup> Mr. Justice Ranade, and others, thus expressed themselves on this subject :

The re-organisation of the (Public Works) Department was undertaken in consequence of an agitation on the part of European Civil Engineers employed in it, which was conducted in a manner likely, in our opinion, to have a bad effect on discipline, and, therefore, deserving of the disapproval of Government. It seems to us to have violated the orders of Government on the subject of combinations by its servants. Such an agitation would not have been permitted in any other Department, and should not again be allowed. The object of the re-organisation was to improve the position of the officers of the Department generally, and in particular to remove the block of promotion, which had arisen from the excessive number of recruits obtained from Cooper's Hill College in the earlier years of that institution. During the continuance of the discussion, which we have summarised, great attention was given to the grievances of the officers of the Department, but a careful consideration of the whole subject leads us to doubt whether the measures sanctioned were altogether suitable either in kind or in respect of the classes to which they were applied. They mostly consisted of increments of pay to the Executives of the third and fourth grades, and to the Assistant Engineers of the first and second grades—none of which classes of officers were at the time, so far as we understand the case, in particular need of special assistance, and of the grant of greatly improved pensions to all officers of both classes; and they were made perpetual in their application.

The concession made in 1890 to uncovenanted Civil Servants, whose pensions were fixed in rupees, that those pensions should be converted into sterling at the rate of 1s. 9d. to the rupee, and the grant of Exchange Compensation Allowance to all non-domiciled European and Eurasian Employees of Government indiscriminately, are more recent instances. I will return to all these cases later on. Lastly, the interests of British commerce and of British commercial and moneyed classes often prevail over the interests of the Indian tax-payers. I might have mentioned the abolition of Import Duties during the administration of Lord Lytton<sup>3</sup> and Lord Ripon,<sup>4</sup> as also the Tariff Legislation of last year, as instances. But they do not come under expenditure, and may, therefore, possibly be regarded as irrelevant. But the wasteful nature of many Railway contracts; the extraordinary help given to the Orissa Company, the Madras Irrigation company, and such other bodies of English investors; the vigour with which the

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1. William Wilson Hunter, i.c.s. (1840-1900); historian and publicist; organiser, statistical survey of India (1869-81), the compilation reaching 128 volumes condensed into the Imperial Gazetteer of India, 9 volumes; additional member, Viceroy's Legislative Council (1881-87); member, Indian Finance Commission (1886), author of 'a History of India'

2. see foot-note 1 on p. 56.

3. see foot-note on p. 171.

4. see foot-note 1 on p. 32

construction of railways is being pushed on, programme following programme almost in breathless succession, in spite of the protest of the Finance Minister that the finances of the country now needed a respite in that direction; the conquest and annexation of Burmah, practically at the bidding of a powerful English Trading Company—these are instances which are not open to the same objection. The frequent subordination of the interests of the Indian tax-payers to these other interests makes it all the more imperative that the machinery of constitutional control should provide adequate safeguards for a just and economical administration of the Indian expenditure, and yet, I fear, nowhere are the safeguards more illusory than in our case.

### The Machinery as it exists at present

The spending authorities in the matter of Indian expenditure are : The Local Governments, the Government of India and the Secretary of State in Council ( to which we must also add the Secretary of State in the Secret Department ). The controlling authorities at present are : The Government of India controlling the Provincial Governments, the Secretary of State in Council controlling the Government of India (the Council sometimes tries to control the Secretary of State, but it is now much more dependent on him than it was once ), and Parliament in theory controlling all. Now in the first place, all this is purely official control, unless, indeed, by a stretch of words, we regard the theoretical control of Parliament as to some extent popular. Real popular control, in the sense of control by tax-payers, is, practically speaking, entirely absent from the whole system. There are no doubt the Local and Supreme Legislative Councils in India. But so long as the Budgets are offered for criticism only and have not got to be passed, and so long as the members are not allowed to move any resolutions in connection with them, they cannot be called controlling bodies in any proper sense of the expression. Secondly, I venture to think that even this official control, such as we have it, is, except in the case of Provincial Governments, of very little value from the tax-payer's point of view. The Local Governments are, indeed, controlled and more than controlled officially, are, in fact, crippled. But as regards the Government of India and the Secretary of State in Council, where they are in agreement, their powers of incurring increased expenditure are almost unlimited, and, unfortunately they are generally found to be in accord in matters in which the Indian tax-payer feels a direct interest, their differences being usually about matters for which he cares little or nothing. Lastly, Section 55 of the Government of India Act of 1919 is supposed to give protection to Indian revenues against their application to extra-Indian purposes. But it is now well-known how this Section has failed to attain its object in practice.

### Its Real Nature and Results

The results of this state of things have been very unfortunate. Under the East India Company, our revenues were certainly much better protected. The Company's Government was, so to speak, a strong buffer between Indian interests and Imperial interests and as Sir Charles Trevelyan<sup>1</sup> has observed, it was often able to offer successful resistance to the demands of the Queen's Government. The inquiry which Parliament used to make into Indian affairs every twenty years in those days, and the spirit of jealous wakefulness which it used to manifest on those and other occasions, were a further protection to Indian interests. With the establishment of the direct administration of the Crown, all this is gone, and the administration of the Indian Revenues is now practically entrusted to a Cabinet Minister, assisted by a Council of his own nomination—a Minister who brings no special knowledge or experience of Indian affairs to the discharge of his duties, who, as a member of the Imperial Executive, naturally has an eye to Imperial politics rather than to Indian interests, and who is peculiarly liable to be swayed by the varying currents of English public opinion and other English influences. All financial power in regard to expenditure—executive, directive, and controlling—is centred in his hands, and with all this vast concentrated power he has really no responsibility, except to the Cabinet of which he is a member, and of whose support he is always assured, and to Parliament, where he has a safe majority behind him in virtue of his position as a Cabinet Minister. The position virtually amounts to this, that it is the administration of the finances of one country by the Executive Government of another, under no sense of responsibility to those whose finances are so administered. And for years past we have been treated as a vassal dependency, bound to render services to the suzerain power, and to place our resources, whenever required, at its disposal. As a result millions upon millions have been spent on objects which have not advanced the welfare of the Indian people so much as by an inch; even the empty sense of glory which is a kind of barren compensation to self-governing nations for such large expenditure of money is not available to us as a consolation. And not only have these vast sums been thrown away in the past—thrown away, of course, from the Indian tax-payer's point of view—but as a direct result of that expenditure the country is now pledged to indefinite and possibly vaster

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1. *Charles Edward Trevelyan*, (1807-1886); I.C.S., secretary, Board of Revenue (1836-38); Governor, Madras (1859-60); Financial Member, Viceroy's executive council (1863-65); author of 'The Application of the Roman Alphabet to all the Oriental Languages.'



liabilities in the future. And all this has gone on while the expenditure on objects which alone can secure the true welfare and prosperity of the people has been woefully neglected. The principal defects in the existing arrangements to which, in my humble opinion, these deplorable results are to be traced are two : (1) Autocratic financial power practically concentrated in the hands of a member of the Imperial executive without adequate securities for its due exercise; and (2) the absence of effective protection to India against financial injustice at the hands of the Imperial Government, there being no impartial tribunal left to appeal to for redress of such wrong, and no constitutional power to resist unjust demands.

### The Council of the Secretary of State

When the Government of India was transferred from the Company to the Crown, the Secretary of State's Council was intended to be a check on him ; and guarantees were provided for securing the independence of members. But these guarantees have, nearly all of them, been swept away by the Amending Acts of 1868 and 1876. Under the arrangements of 1858, the members of the Council were to hold their office during good behaviour, and were not removable except on an address of both Houses of Parliament. They were thus placed in a position of dignified independence to exercise the important powers of control entrusted to them under the Act. The Act of 1869, however, profoundly modified this position of the Council. It provided that all appointments to the Council were thereafter to be made by the Secretary of State. The members were to hold office for ten years only, and for special reasons to be communicated by the Secretary of State to Parliament they might be re-appointed. These modifications at once lowered the position of the members, destroyed the independence of the Council, and virtually left the Secretary of State supreme in the direction of affairs. The Council was in fact reduced to the status of a subordinate Consultative Board, to be composed of the nominees of the Secretary of State — stripped of its original dignity and independence, and left unfitted for the proper discharge of its high constitutional functions. The Act of 1876 empowered the Secretary of State to appoint three of the members for life, thus throwing additional power into his hands. Moreover, the machinery of the Secret Department enables the Secretary of State to order a course of action which may practically render large expenditure inevitable, without the knowledge of his Council.

### The Government of India and the Finance Minister

Subject to the control of the Secretary of State, which often is only nominal, the Government of India can administer the Indian

revenues practically as they please. The testimony of Sir A. Colvin<sup>1</sup> and Sir D. Barbour<sup>2</sup> on this point is of great importance. Sir A. Colvin was careful to point out that the present weakness of the Finance Minister's position dates virtually from 1835. That being so, it is evident that the dissent of Lord Cromer<sup>3</sup> as also of Lords Northbrook<sup>4</sup> and Ripon,<sup>5</sup> from their view, is beside the point. It is true that Lord Lansdowne<sup>6</sup> and Lord Roberts<sup>7</sup> do not endorse the view of the two Finance Ministers. But this was only to be expected, seeing that they themselves are the party against whom the complaint was directed. When Sir A. Colvin and Sir D. Barbour say that with the Viceroy on his side, the Finance Minister is as strong as he ought to be, and when they complain of the weakness of his position during their time, the only inference to be drawn from that is that the Viceroys under whom they served—*viz.*, Lords Dufferin and Lansdowne—were not of an economical turn of mind, and of course we cannot expect Lord Lansdowne to concur in that view.

#### Summing up

The whole position may thus be summed up :

1. The buffer of the Company's Government, which fairly protected Indian interests, is gone, and there is no effectual substitute.
2. We have no effective constitutional safeguards against the misapplication of our revenues for extra-Indian requirements.
3. The control vested in the Council of the Secretary of State under the statute of 1858 is rendered almost nugatory by the alteration of its status under recent Amending Acts.
4. The control of Parliament, as against the Secretary of State, has become entirely nominal, owing to the latter being a member of the Imperial Executive, with a standing majority behind him. The old periodical inquiry by Parliament and its jealous watchfulness are gone. In fact we have at present all the disadvantages of Parliamentary government without its advantages. In the case of all Departments except the Indian, ex-Ministers think it their duty, and also feel it to be their interest, to exercise the closest watch on the proceedings of their successors with a view to passing the most adverse criticism that may be possible. In regard to India alone, ex-Ministers vie with, and sometimes even go beyond, their successors in

1. see foot-note 1 on p. 56.

3. see foot-note 2 on p. 14.

5. see foot-note 1 on p. 32.

7. see foot-note 2 on p. 34.

2. see foot-note 3 on p. 8.

4. see foot-note on p. 134.

6. see foot-note 1 on p. 310.

extolling all that exists and all that is done. The responsible Opposition in this country thus abdicates its functions in the case of India only.

5. The Government of India, as at present constituted, cannot be much interested in economy. Almost all internal administration having been made over to Local Governments under the Decentralization Scheme, questions of foreign policy, large public works, and military questions absorb almost the whole attention of the Government of India. Further, the Finance Minister excepted, every other member of Council, including, since 1885, the Viceroy, has a direct interest in the increase of expenditure

6. Neither in England nor in India is there the salutary check of public opinion on the financial administration. Parliament is ill-informed and even indifferent. And the Supreme and Local Legislative Councils are simply powerless to control expenditure, since the Budgets have not to be passed, and no resolutions in reference to them can be moved.

### REMEDIES

#### 1st—Voting the Budget in the Supreme Legislative Council, Official majority being retained

Coming to the question of remedies, I think it is, in the first place, absolutely necessary that the Indian Budget should be passed, item by item, in the Viceregal Legislative Council. Government may retain their standing majority as at present, and that means an absolute guarantee that no adverse vote will be carried against them. We have no wish to see the Government of India defeated on any point in the Supreme Legislative Council but the moral effect of recording, and, so to say, focussing by means of divisions, non-official disapproval of certain items of expenditure will, I expect, be very great. It must be remembered that while large questions of policy can be discussed and settled with advantage only in this country, the details of the Indian expenditure can be criticised effectively and with the necessary amount of knowledge only in India. I would also provide that when a certain proportion of the non-official members of the Supreme Legislative Council — say, more than half — are of opinion that the voting of a particular sum by the Council is prejudicial to Indian interests, they may, if they please, draw up a statement of their case and submit it through the Government of India to a Committee of Control, which, I venture to suggest, should be created in this country.

#### 2nd—Creation of a Committee of Control. Non-official Members of Viceroy's Council may appeal to this body

The creation of such a Committee of Control is a matter of the most vital importance. A Standing Committee of the House of Commons has been suggested, and would, I think, do very well. Or

the Judicial Committee of the Privy Council might be entrusted with the work. Or even the Arbitration Committee, which now seems likely to be created, might do for this purpose, and the duty of reporting to Parliament from time to time on matters of Indian Finance may be assigned to it. But whatever the form, the Committee should have absolutely no powers of initiating expenditure; else, like the old so-called Board of Control, it will do more harm than good. The Committee should take cognizance of all appeals addressed to it by the non-official members of the Viceroy's Council, and may also call for papers of its own accord, and exercise general control over the administration of Indian expenditure. The proceedings should be reported to Parliament from time to time. If some such body were called into existence, the mere fact that non-official members will be in a position to appeal to it, thereby putting the Government of India and the Secretary of State on their defence, will have a tremendous moral effect, which will make for economy and sound finance in a very striking manner. There is nothing in this which will in any way affect the directive and executive powers of the Secretary of State or the Government of India. The plan provides only for a reasonable amount of control, and will enable the representatives of Indian taxpayers, who have no powers of controlling expenditure, to make a complaint in a responsible and constitutional manner.

### 3rd—Amendment of Section 55 of the Act of 1858

Further I would suggest that Section 55 of the Government of India Act of 1858 be amended. This Section, as it stands at present, enacts that "except for preventing or repelling actual invasion of Her Majesty's Indian possessions, or under other sudden and urgent necessity, the revenues of India shall not, without the consent of both Houses of Parliament, be applicable to defray the expenses of any military operation carried on beyond the external frontiers of such possessions by Her Majesty's forces charged upon such revenues." Now this only safeguards the controlling powers of Parliament, and does not provide, as is commonly believed, against the diversion of our monies from their legitimate use, the only thing secured being that the sanction of Parliament shall be obtained for such diversion—a sanction that can be obtained without any difficulty. Now this is not sufficient and has been of little use in practice, and I would press for an express and absolute statutory provision, giving us a complete guarantee against the misappropriation of our revenues for purposes unconnected with our interests. I, therefore, beg to suggest that Section 55 of the Government of India Act of 1858 be so amended as to provide that, except in case of actual or threatened invasion, the

revenues of India shall not be used for military operations beyond the natural frontiers of India (these frontiers being once for all defined), unless, at any rate, a part of such expenditure is put on the English estimates.

**4th—Legislative Councils of Madras, Bombay, Bengal, N. W. Provinces, Punjab & Burmah to return One Member each to Imperial Parliament**

Further, I would urge that the elected members of the Legislative Councils of Madras, Bombay, Bengal, N. W. Provinces, and now Punjab and Burmah, be invested with the power of returning to the Imperial Parliament one member for each Province. Six men in a House of 670 would introduce no disturbing factor, while the House will be in the position to ascertain Indian public opinion on the various questions coming up before it in a constitutional manner. I may mention that the small French and Portuguese settlements in India already enjoy a similar privilege. Here, again, I rely more upon the moral effect of the course proposed than upon any actual results likely to be directly achieved.

**5th—Special knowledge of Finance to be a necessary qualification of the Viceroy**

The last suggestion that I have to make on this subject is that as far as possible Indian Viceroys should be selected from among men who have earned a distinct position for themselves for their grasp of intricate problems of finance. Among the First Ministers of England no greater names can be mentioned than those of Walpole, Pitt, Peel, Disraeli, and Gladstone. And all these men were great Finance Ministers. I know men in the very front rank of English politics do not care to go to India, but all the same, if men noted for their knowledge of Finance, like Mr. Goschen,<sup>1</sup> for instance, were induced to accept the Viceroyalty of India, the arrangement would produce decidedly beneficial results. It would be a great advantage to all if the Viceroy, instead of being his own Minister for Foreign Affairs, were to be his own Finance Minister. At any rate, his immediate connection with the Foreign Department should cease, the Department being placed like other Departments in charge of a separate member of the Executive Council.

**Provincial Finance**

I now come to the very interesting and important subject of Provincial Finance. While gratefully acknowledging that the Decentralisation policy has done a great deal of good, even as far as it has gone, I think the time has come when an important further step

1. see foot-note 2 on p. 375.

ought to be taken. It is now fifteen years since this policy was carried to the point at which it now stands by the Government of Lord Ripon. The fact that nearly the whole internal administration of the country is in the hands of the Provincial Governments explains why the people of India are so anxious to see the position of Provincial Governments in the matter of Finance strengthened much more than what it is at present. The expenditure administered by the Provincial Governments is principally devoted to objects which are intimately connected with the well-being of the people; and the larger, therefore, this expenditure, the better for them. The chief effects of the existing arrangements are the following :

1. The "so-called Provincial Contracts"—to use Sir James Westland's expression—are really only one-sided arrangements practically forced on the weak Provincial Governments by the Government of India, which is all-powerful in the matter. The contracting parties not being on a footing of equality, the Government of India virtually gives the Provincial Governments such terms as secure the maximum advantage to itself, and the power which it possesses of disturbing the contracts even during the period of their currency leaves the Provincial Governments in a state of helplessness and insecurity, and all this is very prejudicial to the interests of the internal administration of the country. A reference to the tables given on pages 47 and 48 of Appendix, Section I, of the Evidence recorded by this Commission will at once show how at each successive revision the Government of India, while keeping to itself all the growth of revenue which had accrued to it as its share of the normal expansion, has in addition resumed a large portion of the share of growth that had accrued to the Provincial Governments, compelling them thereby to cut down their expenditure in the first year or two of each new contract. Thus, taking Bombay as an illustration, we find that in 1886-87, the last year of the contract of 1882, its expenditure was Rs. 3,998,912. This expenditure had, however, to be reduced to Rs. 3,814,500 in 1887-88, the first year of the next contract, and it was not till 1891-92 that the level of 1886-87 was again reached, when at the next revision, it was again put back. The same was the case with almost every other Province. How sore is the feeling of Provincial Governments on this subject may best be seen from the following remarks which the Lieutenant-Governor of Bengal thought it his duty to make in the matter in the Supreme Legislative Council last year :

I must say I deprecate the way in which these quinquennial revisions have too frequently been carried out. The Provincial sheep is summarily thrown on its back, close-clipped and shorn of its wool, and turned out to shiver till its fleece grows again. The normal history of a Provincial Contract is this—two years of screwing and saving and postponement of works, two years of resumed energy on a normal scale, and one year of dissipation of balances in the fear that if not spent they will be annexed by the Supreme Government, directly or indirectly, at

the time of revision. Now all this is wrong, not to say, demoralizing. I say the Supreme Government ought not to shear too closely each quinquennium. It is as much interested in the continuity of work as the Local Governments, and ought to endeavour to secure this and avoid extreme *bouleversements* of the Provincial finances ... It would be an immense gain to Local Administrations if the Government of India could see its way to renewing the contracts with as little change as practicable on each occasion. It is only in this way that the element of fiscal certainty, which was put forward in 1870 as one of the main objects of decentralization, can be secured. Hitherto we have had but little of certainty.

A similar protest was made last year by the Lieutenant-Governor of the N.-W. Provinces from his place in the Legislative Council of that Province, and this year the Government of Madras has addressed a very strong remonstrance against the surrender of an additional 24 lakhs of rupees a year demanded by the Supreme Government.

2. There is no fixed or intelligible principle on which these contracts are based—no uniformity in their plan, no equality in the burdens which they impose on the different Provinces. The share of Imperial expenditure which the different Provinces have to bear is not determined by any tests of population or revenue. A calculation made by Sir James Westland, and printed on page 400 of the second volume of the Finance Committee's Report, gives the following results :

The proportions or percentages of revenue surrendered by each Province to the Supreme Government are as follows :

	Per cent
Indian Districts ( General )	26
Central Provinces	56
Burma	58
Assam	51
Bengal	68
N.-W. Provinces	76
Punjab	45
Madras	52
Bombay	46

The contribution of each Province per 100 of the population is as follows :

Province.	Rupees contributed per 100 of population.
	Rs.
Central Provinces	71
Burmah	312
Assam	97
Bengal	107
N.-W. Provinces	177
Punjab	82
Madras	123
Bombay	155

These figures are sufficient to show the totally arbitrary character of the present contracts. The fact is that these inequalities are a legacy of the pre-decentralization period, when the expenditure of the different Provinces was determined—as men like Sir Charles Trevelyan, Sir John Strachey<sup>1</sup>, General Chesney<sup>2</sup>, and others have put it—not by the resources or requirements of those Provinces, but by the attention that their Governments succeeded in securing from the Central Government, i.e. by the clamour that they made. And when the first step was taken in 1870 in the matter of decentralization, the level of expenditure that had been reached in the different Provinces was taken as the basis on which the contracts were made, and the inequalities that then existed were, so to say, stereotyped. I think it is high time that an effort was made gradually to rectify these inequalities.

3. The third defect of the existing scheme is that, while it operates as a check on the growth of Provincial expenditure, it imposes no similar restraint upon the spending propensities of the Government of India.

The only way by which these defects could be remedied was clearly pointed out by four members of Lord Dufferin's Finance Committee. They were : the President, Sir Charles Elliott, late Lieutenant-Governor of Bengal, Sir William Hunter, Mr. Justice Cunningham, and Mr. Justice Ranade. In a note which they submitted to the Government of India on the subject, they made the following four proposals, and urged that their adoption would be attended by very beneficial results :

(1) That there be no divided Departments, but that those Departments of receipts and expenditure which are now wholly, or almost wholly, Imperial, or which it may be found convenient to make Imperial, should be set on one side for Imperial purposes, and that the receipts and expenditure of the Provincialized Departments should be entirely Provincial.

(2) That whatever the sum be by which the Imperial expenditure exceeds the income from those sources of revenue which are not Provincialized, that sum should be declared the first charge on the Provincial Revenues.

(3) That the Provincial Surplus which arises from the excess of receipts over expenditure should be the fund from which, in the first place, all Imperial necessities should be met before any increase can take place in Provincial Expenditure.

(4) And that as regards the future growth of revenue it should, as far as possible, be divided equally between Provincial and Imperial,

1. see foot-note on p. 169.

2. see foot-note 1 on p. 6.



subject to the condition that if the Imperial exigencies ever required a larger share, the Imperial share should be increased.

Taking the accounts of 1884-85, Sir Charles Elliott and the other members thus illustrated the working of their scheme. They proposed that Opium, Salt, Customs, Tributes, Post-Office, Telegraph, Mint, Interest on Debt, Superannuation Receipts and Charges, the East Indian, Eastern Bengal, Guaranteed and Southern Mahratta Railways, Military Works, Army, Exchange and Home Charges should be wholly Imperial, and that the Government of India should also bear the charges and receive the revenue of the Imperial Districts, *i.e.*, the parts of India which are not included in the Provinces. On the other hand, they proposed that Land Revenue, Stamps, Excise, Assessed Taxes, Forests, Registration, and the Civil Departments should be wholly Provincial, such heads as Stationery, Printing, Miscellaneous, and Railways, Canals, and other Public Works, as were already Provincial, continuing to remain so. The accounts of 1884-85, excluding Provincial Rates, were as follows :

	Imperial.	Provincial.	Total.
	<i>( In thousands of Rupees )</i>		
Revenue ...	50,3569	17,5537	67,9106
Expenditure ...	50,5066	17,4854	67,9920

These accounts on the basis of readjustment suggested above would have stood thus :

	Revenue	Expenditure	Surplus or Deficit
	<i>( In thousands of Rupees )</i>		
Imperial ...	3,26,799	5,05,365	— 1,78,566
Provincial ...	3,54,307	1,76,559	1,77,748

This means that on the basis of the division proposed, the Provinces would have to pay about 17½ crores, *i.e.*, about fifty per cent. of the revenues made over to them, to the Imperial Government to enable the revenues of the latter to come up to its expenditure.

This scheme, if adopted, would have the following advantages over the existing arrangements :

- (a) It would remove all irritation at present felt by the Local Governments, and will secure to them, under ordinary circumstances, half the normal growth of revenue in their Provinces, enabling them thereby to make steady efforts towards the progressive improvement of the Internal Administration of the country.

- (b) It is, of course, not possible to secure *at once* a complete equality in the burdens which the Imperial Expenditure imposes upon the different Provinces. Provinces that contribute less than half their revenue to the Imperial Exchequer cannot be suddenly called upon to reduce their own expenditure, and pay their full share with a view to reducing the share of those that at present contribute more than half. Existing facts after all must be respected, and the present level of expenditure in the different Provinces must be left untouched. But the effect of contributing to the Imperial Exchequer an equal portion of all future increase in revenue, *viz.*, 50 per cent, will be that, year by year, the relation which the contribution of a Province bears to its revenue, will tend more and more towards equalization. Thus the Provinces which now pay, say 60 per cent. of their revenue will, after paying only 50 per cent. of their increase for some years, be found to have dropped down to a ratio of 57 or 58 per cent. And similarly in the Provinces which pay less than 50 per cent. at present, the ratio will constantly work itself up to 50 per cent.

The proposed scheme, while making ample provision for the necessities of the Central Government, imposes, at the same time, something like a check on its spending propensities. It secures to that Government the entire normal growth of the Imperialised items of revenue, and also half that of the Provincialised items and leaves to it besides the power to demand more than half in times of need. But it is expected that in ordinary years more than half the normal growth of Provincial revenues will not be devoted to non-Provincial purposes.

The adoption of the scheme will place the financial system of India once for all on a sound basis, and will bring it more in a line with the federal systems of finance in other countries, such as Germany, Switzerland, and even Canada, and the United States. In these countries, so far as I have been able to gather, the Central and Constituent Governments have their separate resources, but the latter are called upon in Germany and Switzerland to make special contributions on extraordinary occasions.

I am confident that the Provincial Governments in India will welcome such a settlement of the question. Before concluding this portion of my evidence I may be permitted to remark that it would have been a matter of general advantage if representatives of Local Governments had come here to give evidence on this subject before the Commission.

## PROGRESS OF EXPENDITURE

Our Expenditure shows a large and continuous growth since the transfer of the Government of India from the Company to the Crown; and recent changes in the frontier policy have accelerated its pace in an alarming manner. Excluding railway receipts, the average expenditure for the five years preceding the Mutiny was about 30 crores. It now stands at over 73 crores, nearly  $2\frac{1}{2}$  times what it was before the Mutiny.

Increase of Expenditure, taken by itself as a feature of national finance, is not necessarily open to any serious objection. Everything depends in this matter on the nature of the purposes for which the increase has been incurred and the results produced by such outlay of public money. In the United Kingdom, in France, in Italy — in fact, almost everywhere in Europe—there have been large increases in national expenditure during the last thirty years, but the increase in Indian expenditure during this time differs from the increases elsewhere in a most fundamental respect. While increased expenditure in other countries, under proper popular control, has, so far as we are able to judge, helped to bring increased strength and security to the nations, and increased enlightenment and prosperity to the people, our continually growing expenditure has, in our opinion, under autocratic management, defective constitutional control, and the inherent defects of alien domination, only helped to bring about a constantly increasing exploitation of our resources, has retarded our material progress, weakened our natural defences, and burdened us with undefined and indefinite financial liabilities. Compelled to meet the demands of a forward Imperial Frontier policy and the exigencies of consequent Imperial defence, and constantly borrowing for commercial enterprises, often undertaken in consequence of the pressure of English commercial classes, our Indian Government has little money to spare, with all its increase of taxation, for purposes of national education. Nor has it been able, amidst constant embarrassments of the Military Budget, to forego some prospective land revenue by granting the boon of a permanent settlement to Provinces ripe and more than ripe for the concession under the conditions laid down in Sir Charles Wood's<sup>1</sup> and Sir Stafford Northcote's<sup>2</sup> Despatches (1862 and 1867), nor again has it found itself, during all these years, in a position to carry out pressing administrative reforms, like the separation of judicial and Executive functions.

It is this feature that marks the difference between the growing expenditure of British India and that of other countries, and constitutes our national grievance in respect of administration of our national

1. see foot-note 1 on p. 13.

2. see foot-note on p. 17.

expenditure. Whereas the capacity of the country to bear increased burdens is growing perceptibly less, our expenditure, under the existing conditions of administration, is rising higher and higher, necessitating a heavy incidence of taxation, exhausting all our fiscal reserves, and what is still more alarming, thrusting on our hands expanding responsibilities.

Under the Company's Government, things were on the whole managed with economy, and increase of taxation was, as far as possible, avoided—a characteristic feature of our pre-Mutiny Finance. The conquest of the country completed, the Company's Government entered in 1852-53 upon a career of administrative improvements and internal progress, and did much in both directions *without increase of public burdens*. And during the next five years, the fiscal system was reformed, the Police was reorganized, the Judicial and other Establishments were revised with largely extended employment of natives in some of the higher branches, and great activity was shown in regard to Public Works. Over two crores a year were spent on canals and roads and buildings, and arrangements were made with Railway Companies for the construction of the main trunk lines of railway communication. And yet, the expenditure was under 30 crores. Then came the Mutiny. It was a serious national disaster. It added 47 crores to our National Debt; and our permanent annual expenditure increased at one bound by about 9 crores, the Civil Charges going up from 11.7 crores to 15.8 crores, the Army from 12.7 crores to 14.9 crores, and Interest from 2.9 to 5.5. The cloud of distrust, suspicion, and prejudice then raised still hangs over the country, and casts its blighting shadow over, more or less, the whole of our Indian Finance. In respect of Military Expenditure—so, too, in regard to the extended employment of natives in the higher branches of the Civil and Military Services of the Crown—the effects of the Mutiny are still broadly visible.

I beg to be allowed to put in two statements here, which I think will be helpful in comprehending at a glance the progressive nature of our expenditure. The first statement gives figures of total expenditure *minus* railway receipts, figures of the exchange charges, and lastly, figures of total expenditure *minus* railway receipts and exchange for the last forty years. The second statement divides the period from 1862 to 1895, into three periods—the first from 1862-70, that of Centralized Finance; the second from 1871-81, that of partially Decentralized Finance, and the third from 1882-95, that of Decentralized Finance—and gives the salient facts connected with our expenditure during all these years. Both these statements have been prepared from the annual Financial Statements.

## Statement I

Year.	Expenditure in Crores—Railway Receipts.	Exchange in Crores.	Expenditure—Railway Receipts and Exchange.
1852-53	28.04	...	28.040
1853-54	30.18	..	30.180
1854-55	30.89	...	30.890
1855-56	31.97	..	31.970
1856-57	31.97	...	31.970
1857-58	40.04	...	40.040
1858-59	50.19	...	50.190
1859-60	50.37	...	50.370
1860-61	46.74	..	46.740
1861-62	43.53	...	43.530
1862-63	42.97	...	42.970
1863-64	44.20	...	44.200
1864-65	45.58	..	45.580
1865-66	45.74	...	45.740
1866-67	44.10	...	44.100
11 months.			
1867-68	49.06	...	49.060
1868-69	51.30	...	51.300
1869-70	50.12	...	50.120
1870-71	49.39	...	49.390
1871-72	49.16	433	48.727
1872-73	50.82	694	50.126
1873-74	54.66	882	53.778
1874-75	55.21	785	54.425
1875-76	52.64	1,355	51.285
1876-77	55.00	2,059	52.941
1877-78	57.29	1,554	55.066
1878-79	55.33	3,223	52.155
1879-80	60.27	2,916	57.344
1880-81	66.52	2,716	63.804
1881-82	59.81	3,556	56.254
1882-83	58.40	3,234	55.166
1883-84	57.56	3,434	54.126
1884-85	53.20	3,456	55.774
1885-86	63.53	3,250	60.350
1886-87	62.63	5,419	57.261
1887-88	66.25	6,166	59.784
1888-89	66.13	6,271	59.159
1889-90	65.87	6,663	59.207
1890-91	64.82	5,087	59.733
1891-92	68.74	6,937	61.803
1892-93	71.93	9,527	62.403
1893-94	71.82	10,285	61.535
1894-95	72.25	13,063	60.183

## Periodical Averages

Year.	Without Exchange.	With Exchange.
1852-53—1856-57	20.8 crores.	20.8 crores.
1857-58—1861-62	46.1 "	46.1 "
1862-63—1870-71	46.9 "	46.9 "
1871-72—1881-82	53.9 "	53.8 "
1882-83—1894-95	55.8 "	65.4 "



### OUTLAY ON PUBLIC WORKS DURING THE PERIOD

Buildings and roads. 42.7

1871-72 1881-82

Total outlay on  
guaranteed Rail-

ways, ... 94.5 68.7

and State outlay

on public works. 6.2 59.8

100.7 128.5

(Excluding capital in  
railway annuities)

total net outlay ... 27.7

70.4

### Provincial rates.

1875-76 ... 1,947

1877-78 ... 2,255

1879-80 ... 2,882

1881-82 ... 2,895

Net increase 948 crores.

Provincial contracts revised.

Gain to Imp. Revenue.

First contracts, 1871-72... 331

Contracts revised (1877-78)-400

Railway net loss.

1871-72 1881-82

1.7 .2

6. Exchange difficulty increased.

Total expenditure increased by  
9.7 crores.

Expanding demands.

1. General Administrative  
improvement.2. Public Works—pressure of  
English commercial interests.

3. War Office demands—amalgamation.

4. Treasury Office demands—  
central Asian Imperial policy.

5. Exchange.

2, 3, 4, and 5, all beyond the  
control of Government of India.

1. Further decentralization.

### POST-MUTINY PERIOD OF INDIAN FINANCE—DIVISION III.

1881-82—1894-95.

(Finance Decentralized as at present.)

Elements of uncertainty during the period.

1. War Office demands.
2. Military Expenditure.
3. Famines.
4. Public Works—commercial pressure as to  
Railways.
5. Opium Revenue.
6. Exchange.
7. Railway Finance.
8. Imperial Policy in Asia—conquests and  
Frontier protectorates.

#### REVENUE

minus railway receipts.

1881-82 62.9 crores.

1894-95 73.0 "

#### TAXATION.

1882-83 Import duties abol-  
ished, salt duty reduced and  
so too opium duty.1886-87 Income-tax substitu-  
ted for licence-tax.1888-89 Petroleum duty im-  
posed, salt duty raised.

1894-95 Customs duties.

#### Fiscal Reserves.

1. Balances.
2. Taxation.
3. Curtailment of Public Works optional Ex-  
penditure.
4. Famine grant.
5. Contributions from Provincial Governments.
6. Periodical revision of Provincial contracts.
7. Transfer of Public Works from Revenue to  
Capital.

### NOTEWORTHY FEATURES.

#### FAMINES.

Scarcities in Madras &amp; Bombay

#### WAR AND CONQUEST.

Upper Burma.

British Baluchistan.

Gilgit Agency.

Somali Coast.

Afghan Protectorate, develop-  
ed and confirmed. (Durand  
Treaty).Expeditions beyond the  
Frontier.INCREASE OF INDIAN ARMIES  
(1886-88)

An Imperial Reserve.

HOME CHARGES NET EXPEN-  
DITURE.

1881-82 £11.1 millions.

1894-95 £15.6 "

1. The period was a disturbed  
period of war, panic and  
military precautionary mea-  
sures and territorial annexa-  
tions—costing us about 70  
crores during it.2. English public opinion press-  
ing for material progress, the  
commercial interests demand-  
ing railway extensions, the  
local services clamouring for  
increased pay and promotion  
and exchange compensation.  
The strain on Indian Finance  
was severe.3. Developments of Imperial  
policy in Asia involving us in  
large trans-frontier and other  
liabilities; Upper Burmah and  
other frontier provinces thrust

EXPENDITURE.

	1881-82	1894-95
Civil charges ...	19 26	25 55
Army ...	18 18	24 31
Exchange ...	3 5	13 0

Total expenditure including other items ...	58 81	73 23
Increase 14 45 as against 9 7 6-4 of preceding periods.		

OUTLAY ON PUBLIC WORKS, Ordinary Public Works	75 36
--	-------

	1881-2	1894-5
Guaranteed Railways	68 7	71 1
State outlay on Public Works	59 82	115 5
	128 5	186 6

Total net outlay (excluding capital in Railway Annuities = 30 millions)	58 0
Frontier strategic railways ...	14 4
	crores 14 4

147 76

DEBT

	1881-82	1894-95
	156 8	218 3
Increase	61 5	

OPIMUM REVENUE.

	1881-82	1894-95
	9 36	7 32

BALANCES

	1881-82	1894-95
	17 14	23 2
Increase	8 06	

PROVINCIAL RATES.  
(Due to decentralization.)

1881-82	2,895
1885-86	2,960
1889-90	3,410
1894-95	3,541

Increase -646

Provincial contracts revised. Gain to Imperial Treasury.	
2nd revision (1882-83) ...	Nil
3rd " (1886-87) ...	640
4th " (1892-93) ...	466

PROVINCIAL CONTRIBUTIONS

1886-87 ...	-400
1889-90 ...	-740
1890-91 ...	-490
1891-95 ...	-405

Provincial contribution restored in 1892-93 ...	-670
---	------

RAILWAY NET LOSSES

1881-82 ...	-2
1894-95 ...	2 348

on our hands for administrative development, which means vast future outlay.

India now in touch with the great powers of Asia is necessarily pledged to vast military expenditure.

Indian defence weakened  
Indian Finance at the mercy of military considerations,  
Indian armies increased.  
4. Exchange difficulty enormous. ly increased concurrently with a fall in opium.

Grant of exchange compensation allowance.

Total expenditure increased by 14 44 crores as against 9 7 and 6 4 of the previous periods.

Expanding demands:

- (1) Public Works
- (2) War Office demands
- (3) Demands of Central Asian policy.
- (4) Exchange.

All beyond the control of the Government of India.

Taxation having reached its utmost limits, the enormous growth of expenditure during the period leaves us no fiscal reserve; yet elements of uncertainty and instability of Indian Finance have largely grown and the Government of India is compelled in the interests of financial solvency to be able to meet fluctuating & expanding uncontrollable demands to keep tight its hold on every fiscal resource, limiting the means of the provincial administrations on the one side & reserving its freedom of action in regard to Famine Grants, Productive Public Works expenditure & Provincial Contributions.



### Imperial and Provincial Net Expenditure.

It is interesting to note how the growth of net expenditure has been divided between Imperial and Provincial since 1882, when Provincial finance was placed on its present basis. Putting together Tables 1 and 21 of Sir H. Waterfield<sup>1</sup>, we have the following result :

Year	Total Net	Provincial Net	Imperial Net
	In crores of Rs.	In crores of Rs.	In crores of Rs.
1882-83	41.79	10.98	30.81
1883-84	41.66	10.83	30.83
1884-85	41.90	11.62	30.28
1885-86	45.43	12.27	33.16
1886-87	44.55	12.12	
1887-88	47.37	12.35	35.02
1888-89	46.44	12.52	33.92
1889-90	47.34	13.10	34.24
1890-91	45.66	12.64	33.02
1891-92	49.50	13.60	35.90
1892-93	52.53	13.40	39.03
1893-94	51.87	13.31	38.54
1894-95	52.74	13.13	39.61
Increase in 1894-95 over 1882-83	10.95	2.15	8.80

It will be seen that while the expenditure of the internal administration of the country has been allowed to increase in thirteen years by only a little over two crores of rupees, the expenditure administered by the Government of India has increased during the time by nearly nine crores. It may also be added that during the three years of Lord Ripon's viceroyalty which belong to this period, the net Imperial expenditure was not only not increasing, but actually showed a tendency to decrease.

### Military Expenditure

No student or critic of Indian Finance will fail to be struck by the position which Military charges occupy in the administration of Indian expenditure. It is indeed difficult to enter into a thorough examination of this branch of our expenditure without raising a discussion about certain matters of policy which have been held to be outside the terms of this Commission's reference. My friends, Mr. Morgan-Browne<sup>2</sup> and Mr. Wacha, have, however, already placed the views of the Indian people on some aspects of this subject before the

1. Financial Secretary in the India Office (1872-1902).

2. some time Secretary, British Committee, Indian National Congress; attended and spoke at the 1874 session of the Indian National Congress.

Commission, and I have no wish to go over the same ground again. I will, therefore, content myself with a statement of certain additional facts connected with our military expenditure, leaving the Commission to draw its own conclusions from them.

Its strength (1894-95)

Standing Army	...	...	...	219,778
British troops	...	...	73,119	}
Miscellaneous British Officers	...	...	921	
Native Troops, including British Officers	...	...	145,738	
Native Army Reserve	...	...	...	13,862
Volunteers	...	...	...	29,089
Total of armed strength on mobilisation				<u>262,729</u>

--a strength even smaller than Japan commands  
and about equal to that of Greece.

Its cost (1894-95).

	Rs. crores.
Ordinary expenditure	20.0
Military works (ordinary)	1.1
Total (ordinary)	<u>21.1</u>
Special expenditure during the year	4.6
Exchange	3.6
	<u>25.3</u>

Ratio of ordinary military expenditure to total expenditure for  
the year =  $\frac{25.3}{73.2}$  = nearly 35 per cent, thus comparing with what  
we have in other countries.

	Millions £.
United Kingdom—Army Expenditure	17.8
„ Total	<u>91.3</u> = 19 per cent.
France—Army Expenditure	25.9
„ Total	<u>138.0</u> = 19 „ „
Italy—Army	9.4
„ Total	<u>72.4</u> = 13 „ „
Japan—Army	2.6
„ Total	<u>16.2</u> = 16 „ „

Greece—Army Expenditure	...	...	58	
„ Total	...	...	4.2	= 13 „ „
British India—Army Expenditure	...	...	25.4	
„ „ Total	...	...	73.2	= 35 „ „
			21	
or omitting exchange			73	— or 30 per cent.
Russia—Army Expenditure	...	...	23.9	
„ Total Expenditure	...	...	115.0	= 21 per cent. nearly.

The growth of our military expenditure, excluding all exceptional items—exchange, and even military works—has been as below :

Years.	Average Strength.			Average Expenditure in crores.
	British.	Native.	Total.	
1837-38—1856-57 (20 years)	43,826	222,915	266,741	10.85
1861-62—1873-74 (13 years)	62,453	123,831	186,340	15.53
1874-75—1880-81 (7 years)	61,834	122,556	184,441	16.17
1881-82—1884-85 (4 years)	57,975	119,939	177,714	16.55
1885-86—1894-95 (10 years)	70,704	140,682	211,387	18.25
1894-95	74,040	145,733	219,773	20.1

Taking, according to Mr. Kellner's estimate, seven native soldiers as financially equal to three European soldiers, we may summarise the periodical expenditures on our Army thus :

Period	Total Strength European Standard	Total cost in crores.	Charge per combatant in rupees
1837-8—1856-7	133,333	10.85	778
1861-2—1873-4	115,350	15.63	1,357
1874-5—1880-1	114,463	16.17	1,413
1881-2—1884-5	109,291	16.55	1,515
1885-6—1894-5	150,996	18.25	1,293
1894-5	140,460	20.1	1,450

During the twenty years preceding the Mutiny, a most eventful period of war and conquest, we had under the Company's rule an armed force about as strong as now, but maintained at nearly half the cost, the charge per combatant being Rs. 775. The Mutiny came, and the transfer of India to the Crown followed; Army Amalgamation was carried out, the staff corps formed, and other changes in Army organisation effected, and our military expenditure rose at a bound to 14.89 crores from 10.85, the average of the pre-Mutiny period. It has gone on ever since steadily increasing till we come to the present year, when it stands at full 20 crores exclusive of exchange, the strength being about the same as before the Mutiny.

(A) Looking to the composition of the Army we have 74,040 British troops to 145,738 native troops, or almost exactly in the proportion of 1 to 2. During the twenty years preceding the Mutiny the proportion of British to native troops was 1 to 5, and sometimes much lower. The outbreak of 1857 followed; a Royal Commission<sup>1</sup> inquired into the matter in 1859, and in its report submitted the following recommendation to Her Majesty: "As regards the third question, the proportion which European should bear to Native Corps in Cavalry, Infantry and Artillery respectively, your Majesty's Commissioners are of opinion that the amount of native force should not, under present circumstances, bear a greater proportion to the European in Cavalry and Infantry, than 2 to 1 for Bengal, and 3 to 1 for Madras and Bombay respectively". The proportions thus laid down were recommended in view of the circumstances of the disturbed period, and were not absolute, precluding all future modification as things should change. The present organisation, however, practically rests on that recommendation, the proportion being as a whole as 2 to 1, the differential proportions recommended for Bombay and Madras being ignored.

Taking the recommendations of the Royal Commission, and looking to the local distribution of the armies, we have:

Native troops	British troops	Excess of British troops over the accepted standard.	
Bengal ( $\frac{1}{2}$ ) 84,614	46,379	...	4,072
Madras ( $\frac{1}{2}$ ) 32,306	14,195 }	...	7,266
Bombay ( $\frac{1}{2}$ ) 28,878	13,466 }		
			<hr/> 11,338

1. see foot-note 2 on p. 98.

This is the amount of excess British Force over the accepted standard we have in the country, and I submit that there is nothing in the present condition of things to justify such a large departure from the recommendations of the Commission; things admittedly have changed for the better, and with our increasing appreciation of British rule, and growing attachment to Her Majesty's throne, we should have expected the proportions to be modified the other way. As it is, we have on our hands a force of more than 11,000 British troops and taking the cost per European combatant at Rs. 1,430 a year, we see this excess force burdens our military Budget with a needless  $1\frac{1}{2}$  crores (or more exactly Rs. 1,57,30,000).  $1\frac{1}{2}$  crores a year is rather too heavy a charge for a poor country to bear unnecessarily.

(B) The strength of our existing Army is, further, in excess, by the recent increases of 30,000 troops, of the military needs of the country, as laid down by the Army Commission of 1879<sup>1</sup>, who even contemplated, among other things, in framing their estimate of our requirements, "the contingency of operations beyond the Frontier, not merely against Russia with Afghanistan as our ally, but against Russia assisted by Afghanistan," and, as Mr. Ilbert<sup>2</sup> and Sir A. Colvin in their dissent point out, no circumstances have arisen which necessitated these augmentations.

(C) But again the existing organisation of our Army is so faulty that it imposes a needlessly grievous burden on the Indian Exchequer. Our army is always practically 'on a war footing'; we have no peace establishment proper; and the strength we could mobilize in an emergency is — including volunteers and reserves — not more than 252,719 men all told. And it is for such meagre armed strength that we have to spend under the present vicious system 25 crores and more a year. While most countries in Europe have adopted short service and the system of reserves — a system which gives them a maximum of combatant strength at a minimum of cost, India alone has to keep up her armies on a war footing even in time of peace, and has to pay a heavy penalty, getting no commensurate return for the money she spends. In these days the armed strength of a nation is measured, as

1. see foot-note on p. 19.

2. Sir Courtenay Peregrine Ilbert (1841-1924); legal member, Viceroy's Executive Council (1882-86); in that capacity had charge of the "Ilbert Bill" which raised so much opposition; Vice-Chancellor, Calcutta University (1885-86); Parliamentary Ass'tt. Counsel and Counsel to the Treasury (1886-1901); Clerk to the House of Commons (1901); author of 'The Government of India' (1898), 'Legislative Methods and Forms' (1903); 'Parliament', (1911); and 'The Mechanics of Law-making' (1914).

stated by Lord Wolseley<sup>1</sup>, not by the number of men under arms in its standing Army, but by the total number of trained soldiers it could put together for active service, when needed, service with the colours being but a course of training for the recruits, much more than active preparedness for war; and in an emergency the reserves being relied upon as the first line of national defence. While the United Kingdom spends about eighteen millions on her army, and has a total armed strength of 588,785 men; France spends about twenty-six millions, and has an active army of 572,102, with reserves numbering 1,778,000 or a total of 2,350,000; Germany spends twenty-seven millions, and maintains an active army of 562,014, and can mobilize in time of war, with her splendid reserves, a total force of 3,000,000; even Japan, an oriental country which has so successfully copied the European system, spends two and a half millions on her armies, keeping up a standing force of 37,719, and is able to mobilize a force of 269,748;—British India, though she spends even more than the United Kingdom itself on her armies (25 crores), has but a standing force of 219,778, and with the reserves and volunteers, of 252,729, to show a strength even smaller than that of Japan, and scarcely 1/10 of Germany.

England adopted Short Service in 1871-72, but did not extend the benefit to the Indian Army. How wasteful our existing system is, may be more clearly seen, when we find that we have had to add three crores to our military Budget to increase our armed force by 30,000 troops.

(D) Taking the two component parts of the Indian Army :

#### (a) British Troops

(1) Here we pay for Short Service, but the advantage of the system goes all to England. The peculiar merit of the system is that it gives a large reserve. Our English reserve is in England, and is not always available to us. Hence the British troops in India are all placed on a war footing.

In respect of the recent increase, the argument strongly urged was that we could not always depend on England for re-inforcements—possibly least when we should need them most. Though the Indian

1. Garnet Joseph Wolseley (Viscount Wolseley) (1833-1913): served in Burmese War (1852-53), Crimean War (1855-56), Indian mutiny (1857-58) at Lucknow and Alambagh; China (1860); Commander-in-Chief in Egyptian campaign (1882) and of Gordon Relief expedition (1884-85); Commander-in-Chief, Ireland (1890-95); Commander-in-Chief, British Army (1895-1900); author of 'The Soldier's Pocket Book', 'Life of the Duke of Marlborough', 'Decline and Fall of Napoleon', 'The Story of a Soldier's Life',

revenues contribute so largely to the maintenance of the Army reserve in England, we could not always count upon getting the British troops augmented in India when we should have to take the field on a large scale.

(2) We have yet the peculiar disadvantage of Short Service—paucity of seasoned soldiers in the standing force. Lord Wolseley has told us that men of under two or two-and-a-half years' service are seldom sent on active service, and whenever mobilization takes place for field service in European countries, it is the reserves that are largely drawn upon. As we have no reserve in India, we pay for a force which is not all available for field duty.

(3) We have, further, to pay for a higher standard of efficiency than is needed. In any country the efficiency of its army is always proportioned to its requirements, and is dependent on military conditions of offence and defence which exist. In India we have not the same military conditions with which England has to deal in Europe; we have not here in Asia gigantic military camps such as there are in Europe, and yet, under the amalgamation carried out after the Mutiny, we have to pay our share in full, calculated, too, on an arithmetical basis, for the maintenance of a standard of military efficiency which English—not Indian—conditions render necessary.

#### (b) The Native Army

Our Native Army, though theoretically a long service army, is practically in the main a short service one. Under the regulations a man can claim his discharge after three years' service, and it is calculated that as many as 80,000 trained native soldiers return to their homes in ten years' time. The Army Commission of 1879 proposed the formation of reserves in order to retain a portion of these 80,000 men bound to the obligations of service, and also in the hope that the reserves so formed in time of peace might "enable the Government to reduce the peace strength of the Native Army," and expressed their view that such a restricted reserve system could cause no political danger to the country. The proposed reserves were calculated to absorb 58,200 men out of the 80,000 retiring from the Army every ten years.

The formation of such reserves to the Native Army was decided on in 1885-86, and Lord Dufferin's Government proposed to begin with two kinds of reserves—regimental and territorial; of which the latter system was evidently the more suitable of the two, and could

have succeeded better. But the Secretary of State vetoed the proposal as far as it related to the formation of territorial reserves, apprehensive of the political and military dangers of such a step, and sanctioned only regimental reserves. Accordingly we have now the feeble and straggling reserve that there is, numbering about 14,000.

Of course, as far as it goes, it is a step in the right direction, however halting, and a strong effort ought to be made to organise on a sound basis a large effective reserve to the Native Army, so as to permit of reduction in its strength which, while increasing the total armed strength of the country, would bring material relief to the finances of the country. The wasteful costliness of the existing system is obvious.

(E) We next come to the officering of the Native Army. Before the Mutiny there were two classes of native regiments, "regular and irregular." In the regular regiments, the nominal staff of British officers was 25 strong, of whom about 12 were actually present, the rest employed in civil and other departments. In the irregular regiments, there were only 3 British officers, the rest of the staff being entirely native. When the armies were reconstructed after the Mutiny in 1861, the irregular system was adopted throughout the Native Army — first in Bengal and later in Madras and Bombay — with the change that the number of British officers per regiment was increased from 3 to 7. In 1874-75 the strength of English officers was increased by the addition of 2 probationers to each corps. In 1882-83 one more officer was added to the cadre; so that now we have 8 British officers in each regiment, ousting the Native officers virtually from the entire field of higher regimental command. Before the Mutiny, and in the irregular regiments, the British officers commanded wings and squadrons, leaving the command of the troops and companies to Native officers. Since the transfer and the reconstruction of the armies, the field of employment for Native officers has steadily contracted, and they have not now even the command of troops and companies, and hold a lower status in the Army. In their place a costly European agency has been put in, thereby imposing a great burden on the finances.

Even in the lower positions, the number of Native officers has sensibly fallen off during the past twenty years. In 1876-77 the number of these officers was 2,812, in 1895-96 it is 2,759, a decrease of 53 officers, though the strength of the Army has risen during the period from 120,672 to 141,257 (*i.e.* 20,000). On the other hand, the number of British officers shows a decrease of 149 officers (from 1,431 to 1,580)



(F) Lastly, we come to a feature of the existing Army organisation, the most wasteful of all—the Indian Staff Corps System (a corps of officers intended for the Native Army as well as for civil employ in the political, police, survey, and other departments, and in the Frontier and non-regulation provinces).

When the amalgamation was carried out in 1861, there was a complete change in the system of officering the Native Army. The old supply from British regiments was stopped, and a staff corps was established in each presidency for the purpose. All officers of the Army, except those who declined, were transferred to the new corps. The promotion in the new corps was entirely by length of service, not by succession to a vacancy, so that lieutenants became captains, and captains majors, and so on, though the promotions were not needed for the work of the Army. The system is still in force, which is as under : Ensigns on transfer to the corps to become *Lieutenants*; Lieutenants, after eleven years' service, to be *Captains*; after twenty years' service to be *Majors*; and after twenty-six years' service to be *Lieutenant-Colonels*.

Further privileges were in 1866 conceded to the staff corps. Previous to that year a certain number of Lieutenant-Colonels succeeded, on vacancies occurring, to Colonels' allowances. These carried with them an extra pension of £664 a year. In 1866 the Secretary of State allowed all officers then in the staff corps, and all who might join, to succeed to Colonels' allowances after twelve years' service in the grade of Lieutenant-Colonel without reference to any fixed establishment of Colonels with Colonel's allowance. Thus every officer could in future rely on getting Colonel's allowance if he lived and clung to the service till he had served thirty-eight years. The general result of this extraordinary system of promotions and pensions has been that the upper ranks of the service are filled with officers for whom there is no work.

The Colonels' allowances, previous to 1866, were granted only to a certain number on ground of special merit, at the rate of 1 to 30 officers. Since then, it has been indiscriminately allowed to all, and we have now 501 officers in receipt of Colonels' allowances on a staff corps of 2,826 strong i.e., more than 1 in 6 officers.

The grant of such allowances is now placed under new conditions, but the heavy burden on the exchequer, due to the measures of the past, taken in the interest of the officers, grows heavier every year. The old system of promotion is still in force, regulated not in accordance with the needs of the services, but in the interest of the officers, as if the Army was for the officers, and not the officers for the Army.

The whole question regarding the constitution, terms of service, rates of pay and pension, in regard to this costly and privileged corps requires to be carefully examined. As it is, the whole system rests on an unsound basis, the corps is over-numerous, and drawing privileged rates of pay and pension, inflicting a heavy burden on the national exchequer.

### The Services

In every department of Indian expenditure the question of agency is one of paramount importance. According to a Parliamentary return of May, 1892, we have in India, in the higher branches of the Civil and Military Departments, a total of 2,388 officers, drawing Rs. 10,000 a year and upwards, of whom only 60 are natives of India, and even these, with the exception of such as are judges, stop at a comparatively lower level. And they are thus divided :

	Natives	Eurasians	Europeans	Total Salaries of Natives	Total Salaries of Eurasians	Total Salaries of Europeans
				In thousands of rupees		
Civil Department ...	55	10	1,211	9,47	1,51	2,52,74
Military " ...	1	1	854	12	11	1,32,68
Public Works Dept.	3	4	239	33	45	34,15
Incorporated Local Funds	1		9	10	...	1,13
Total ...	60	15	2,313	10,02	2,07	4,20,70

In addition to these, the Railway Companies employ 105 officers, drawing Rs. 10,000 a year and more. They are all Europeans, and their total salaries come to Rs. 16,28,000.

If we come down to officers drawing between Rs. 5,000 and Rs. 10,000 a year, we find that we have 421 natives in the Civil Department, as against 1,207 Europeans and 96 Eurasians. In the Military Department there are 25 Natives, as against 1,699 Europeans and 22 Eurasians. In the P. W. Department there are 85 Natives, as against 549 Europeans and 39 Eurasians. And in the Incorporated Local Funds there are 4 Natives, as against 22 Europeans and 3 Eurasians. The total salaries of officers of this class are thus divided : Civil Department—Natives, 29,05 thousand; Eurasians 6,50 thousand; and Europeans, 88,30 thousand. In the Military Department—Natives, 1,64 thousand; Eurasians, 1,39 thousand; and Europeans,

1,36,98 thousand. In the P. W. Department — Natives, 5,37 thousand, Eurasians, 2,78 thousand; and Europeans, 39,62 thousand. And in the Incorporated Local Funds — Natives, 25 thousand; Eurasians, 17 thousand; and Europeans, 1,46 thousand. In addition to these, there are under the Railway Companies 258 officers of this class, of whom only 2 are Natives, 8 being Eurasians and 248 Europeans. Their salaries are thus divided: Natives, 12 thousand, Eurasians, 50 thousand; and Europeans, 17 lakhs 10 thousand.

In England £125,360 is paid as salaries by the Indian Government, and £54,522 by Railway Companies, all to Europeans.

The financial loss entailed by this practical monopoly by Europeans of the higher branches of the Services in India is not represented by salaries only. There are besides heavy pension and furlough charges, more than 3½ million sterling being paid to Europeans in England for the purpose in 1890.

The excessive costliness of the foreign agency is not, however, its only evil. There is a moral evil which, if anything, is even greater. A kind of dwarfing or stunting of the Indian race is going on under the present system. We must live all the days of our life in an atmosphere of inferiority, and the tallest of us must bend, in order that the exigencies of the existing system may be satisfied. The upward impulse, if I may use such an expression, which every schoolboy at Eton or Harrow may feel, that he may one day be a Gladstone, a Nelson, or a Wellington, and which may draw forth the best efforts of which he is capable, that is denied to us. The full height to which our manhood is capable of rising can never be reached by us under the present system. The moral elevation which every self-governing people feel cannot be felt by us. Our administrative and military talents must gradually disappear, owing to sheer disuse, till at last our lot, as hewers of wood and drawers of water in our own country, is stereotyped.

The Indian Civil Service is nearly 1,100 strong. Under the rules of 1879, since abolished, we were entitled to one-sixth of the whole recruitment, and in course of time we should have had about 180 Natives in the Indian Civil Service. The Public Service Commission<sup>1</sup>, appointed by Lord Dufferin, proposed the abolition of these rules, and recommended that 108 posts usually held by Covenanted Civil Servants should be set aside for Indians. *The Government of India and the*

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1. The object of the appointment of the Commission was declared, broadly speaking, to be "to devise a scheme which may reasonably be hoped to possess the necessary elements of feasibility, and to do full justice to the claims of Natives of India to higher and more extensive employment in the public service". Sir Charles Aitchison, then Lt.-Governor of Punjab, was president of the Commission (1886-87).

Secretary of State thought this recommendation too liberal, and ultimately decided to throw open only 93 such posts to which the Natives of India may be appointed, after certain existing claims were satisfied.

That these higher posts are guarded with extreme jealousy as practically a close preserve may be clearly seen from the following illustration. Mr. Jacob<sup>1</sup> gives in Appendix 16 of Section II the total number of District and Sessions Judges in India as 126. Out of these only 5 are Natives. Now the capacity of Natives for the efficient discharge of judicial duties has been over and over again recognised, and the Public Service Commission expressly recommended that one-third of all District and Sessions Judgeships should be given to Natives, which meant 42 out of 126. Instead of this 42, however, we have at the present day only 5 Native District and Sessions Judges.

So, again, in the Police. Out of 230 District Superintendents only 3 are natives. Only five Natives qualified to do the work of District and Sessions Judges, and only three for the work of Police Superintendents, in all India, after close on a century of British rule !

The same is the case with the Forest, Accounts, Opium, Mint, Scientific and other Departments.

In the Public Works Department we have a total strength of 800 engineers, of whom only 96 are Natives. The Indian Civil Engineering Colleges have been working for years, and yet not more than 96 of their trained graduates are to be found in the higher branches of the engineering service. In this connection I may mention that the Finance Committee of 1886 recommended that the connection of the Indian Government with the Cooper's Hill College be terminated as soon as possible, and that there be a larger recruitment of students of Indian Colleges. This recommendation, however, was not accepted by the Government of India.

I may also be permitted to make one or two general observations here on this Public Works Department. The Department has been for a long time over-manned, and Lord Dufferin's Finance Committee thought it necessary to pass some severe criticism on the point. The sanctioned strength is 760. The actual strength in 1884-85 was 898, in 1893 it was 857, and now it is about 800, which is still 40 in excess of the sanctioned strength. Ever since the expansion of the Department in 1860—and notably from 1868 to 1875—we have had the

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1. *Stephen Jacob*, Comptroller and Auditor General, Government of India.

superior staff arranged less with reference to the work to be done than to the condition of things as regards the position of officers. There has frequently been hasty and irregular recruitment during the periods of expansion, followed by blocks in promotion, requiring in their turn corrective efforts in the shape of special allowances or better pay and pensions, not founded on a consideration of the Executive needs of the Department. And more than once officers have been specially induced to retire from the service on very favourable conditions as to pensions, to reduce the redundancy of officers.

The Finance Committee of 1886 recommended that Royal Engineers in the Indian Army should be put on the Civil Staff, remarking that "it is necessary to maintain a considerable establishment of Royal Engineers in India for military requirements. . . Such of them as are not needed for purely military duty in time of peace can be best employed in the Public Works Department, and should, in our opinion, have the first claim for employment in that Department in preference to all others," and the Committee suggested that the Military Works branch of the Department should be abolished as a separate branch for the Military Works and amalgamated with the General Department. The suggestion as to the abolition of the Military Works branch has not been carried out, and only 70 Royal Engineers from a total of 273 are at present on the Civil Staff, the greater number of the remaining 200 or so doing little or no work. It may be added that these suggestions of the Finance Committee had the full approval of the then Commander-in-Chief.

#### Exchange Compensation Allowance

This allowance was granted to all non-domiciled European and Eurasian employees about the middle of 1893, and the figures for the last three years have been as follows :

Year		Amount in Rs.
1893-94	...	618,468
1894-95	...	1,239,275
1895-96	...	1,327,632

The allowance consists in converting half the salary of each officer into sterling at the rate of 1s. 6d. subject to the maximum of £1,000, and then converting it back again into rupees at the current rate of exchange. Practically it has amounted to a general increase of salaries. Now, in the first place, it is admitted that these employees of Government had no legal claim to the compensation. The pay of the European soldier in India is fixed in sterling, and the Government have now to make to him a much larger rupee payment than before.

Nobody, however, has ever suggested that this rupee payment should be reduced. If anyone had made the suggestion, he would have been told that the soldier was entitled to it. The guaranteed companies are now getting 5 per cent. on their capital, though they do not earn so much, and though Government can today borrow at the rate of  $2\frac{1}{2}$  per cent. If anyone were to say that 5 per cent. is too high now to pay, and that the companies should be asked to be satisfied with less, he would be told a contract is a contract. My point in giving these illustrations is this — if existing contracts are not to be disturbed in favour of the Indian Exchequer, why should they be disturbed against it?

Secondly, if the European employees of Government suffered from the fall in exchange, Government itself, as representing the tax-payers, suffered much more from the same cause. When such a general misfortune had overtaken all classes, to single out a particular class for special relief by imposing additional burdens on the remaining classes, and these not well able to bear them, was entirely unjust.

Thirdly, though it is quite true that the fall in exchange had considerably lowered the gold value of the rupee salaries, the salaries themselves were so excessively high, considering especially the great change that has taken place in the facilities and means of communication between England and India, that even with the fall in exchange they were very high. I think it will be admitted that non-official Anglo-Indian testimony on this point is very valuable. The Bombay Chamber of Commerce is recognised to be one of the foremost and most important representatives of the English Mercantile Community in India. This Chamber, in writing to the Finance Committee on the subject of reduction of expenditure in 1886, thus wrote on the subject of salaries paid to Englishmen in India:

The question of the salaries paid by Government to its servants is one on which the Chamber holds very decided views. The just apportionment of remuneration to the exact quality and quantity of work done may, from the standpoint of individual cases, call for very nice discrimination and intimate knowledge of the circumstances surrounding each appointment; but the Chamber, having many amongst its members in a position to form a true estimate of the standard of pay necessary, at the present day of widespread education and keen and increasing competition among the members of the middle classes for responsible employment, to ensure the attainments required from civil servants, covenanted and uncovenanted, does not hesitate to say that the entire scale of remuneration, but more especially of the senior classes, is pitched at too high a level. At the time existing rates were settled, not only did the requisite educational acquirements command a higher premium than they do now, but there were other considerations calling for monetary compensation. In former days an Indian career practically entailed expatriation; officials frequently lived very solitary lives, were exposed to exceptional temptations, and exercised great responsibility. In latter years

these conditions have been greatly mitigated, and in some cases thoroughly reversed. Communication with England is constant and rapid, life in India is healthier and attended with more comfort and less expense, whilst control is so centralised that responsibility is in a great measure taken out of the hands of the officials, except of the highest ranks. Under these circumstances, a revision of all salaries, but particularly those above, say, Rs. 1,000 per month, is manifestly justifiable and called for. In all recent discussions on this subject, the decline in sterling exchange has been urged as a strong argument for non-reduction; but in the view of this Chamber that is a matter which Government should not take into account. What it has to look to is purely the amount it must pay under all existing conditions and circumstances, in order to secure the necessary qualified labour in this country, leaving individuals themselves to provide for the wants of their families in Europe, and their own requirements for leave. The Chamber is not prepared to go even further than this, and advocate that, under the new rules for future contracts, all civil pensions and retiring allowances should be paid in the currency of the country. India is no longer a *terra incognita* to the educated classes of England, and even under the comparatively less tempting inducements indicated above, the Chamber feels convinced that there would be no lack of suitable men ready and anxious to recruit the ranks of the service. This naturally leads to the consideration of the economy practicable by a larger employment of natives. Much might doubtless be saved in this way, particularly in connection with the Judicial Department, where the opening for efficient native agency seems widest; but the Chamber is not prepared to formulate, nor possibly your Committee to discuss, a settled scheme for the entrance of natives into the covenanted and uncovenanted services. All I am instructed to lay stress upon in that direction is that, when Government decide on the competence of natives to hold certain posts, due allowance should be made in fixing their pay for the proportionate cost of living and expenditure between them and Europeans of a like grade.

Fourthly, assuming that some relief was needed, it was most unfair to give the allowance to all. I mean men who went out to India after the rupee had fallen below 1s. 4d. i.e., who accepted the rupee salaries with their eyes open, as also those who had no remittances to make to England — these, at any rate, ought not to have been granted the allowance. The indiscriminate nature of the grant constitutes, in my opinion, its worst and most reprehensible feature. No wonder, after this, that the Indians should feel that India exists for the European services, and not the services for India. While the miserable pittance spent by Government on the education of the people has stood absolutely stationary for the last five years on the ground that Government has no more money to spare for it, here is a sum larger than the whole educational expenditure of Government given away to its European officials by one stroke of the pen!

## Education

The meagreness of the Government assistance to public education in India is one of the gravest blots on the administration of Indian expenditure. No words can be too strong in condemning this neglect of what was solemnly accepted by the Court of Directors in 1854 as a sacred duty. During the last four or five years the Government grant to education has been absolutely stationary. In 1891-92 it was Rs. 83,91,73; in 1894-95 it was Rs. 91,09,72 showing an increase of only Rs. 2,18,000 in four years. But even the increase was only an addition to the salaries of European officials in the Department in the shape of exchange compensation allowance, as may be seen from the fact that, while there was no charge for this allowance in 1891-92, in 1894-95 the compensation to educational officers was Rs. 1,88,000. Side by side with this might be noted another fact, *viz.*, that during these same four years the Government expenditure on public education in Great Britain and Ireland increased from five millions to nearly nine millions sterling, and the contrast is too powerful to need any comments. One cannot help thinking that it is all the difference between children and step-children. There are more than 537,000 towns and villages in India, with a total population of about 230 millions, and yet there are less than a hundred thousand public primary schools for them. The population of school-going age in India is about 33 millions, out of whom only about 4 millions, including those attending private or unaided schools, are under instruction, which means that out of every 100 children of school-going age 88 are growing up in darkness and ignorance, and consequent moral helplessness. Comment on these figures is really superfluous.

I may add that in 1883 the Government of Lord Dufferin issued a resolution which amounted to a virtual change of policy in the matter of education. Only four years before that Lord Ripon had issued a resolution, addressed to all Local Governments, urging them to increase their expenditure on education, and even offering assistance from the Imperial Exchequer, where absolutely necessary. In 1883, however, Lord Dufferin directed the Local Governments in express terms to gradually reduce the share contributed by Government to public education.



railways form a smaller percentage of the total railway receipts than in England, and the conclusion seems to be drawn that Indian railways are constructed and worked more cheaply than English railways. I may, however, state that this lower percentage of working expenses is not peculiar to our railways only, but is, in fact, a necessary condition of all industrial undertakings in India. Labour with us is very cheap, while capital is very dear, so a much larger margin is necessary for profits, and a much smaller one suffices for the working expenses than is the case in England. The mere fact, therefore, that the working expenses of Indian Railways form a smaller percentage of the total receipts than they do in England does not, in reality, prove anything.

Meanwhile it may fairly be asked, if Indian railways are on the whole a profitable undertaking, why do English investors, with all their enterprise, almost invariably insist on a Government guarantee of interest in one form or another? There was an excuse for the first Companies requiring such a guarantee. But after so many years' experience of Indian Railways, and after so many protestations, both from the existing Companies and from Government, that there is a great, a prosperous future for Indian Railways, it is astonishing to see that every new scheme proposes that all elements of risk and possible loss in it should be shifted on to the Indian tax-payer, securing an absolutely safe, clear percentage of profit for the English investor. So long as the Indian Government has to bear a net loss on Railway account, no matter from what cause, so long it is futile to represent the Indian Railway enterprise, whatever may be its other advantages, as a commercial success.

I have two suggestions to offer on this subject of Railways. The first is that the time has now come when the same restrictions that now exist on the outlay of public money on unproductive public works should be imposed in the case of these so-called productive works also; these restrictions being that in future all Government expenditure on these works, direct or indirect, should be out of surplus revenue only and not out of borrowed money. A new programme, costing 28 crores of rupees, has just been announced, and a private letter which I received from India by the last mail says that it has been sanctioned in spite of the protest of the Finance Minister, Sir James Westland. When one remembers that the condition of Indian Finance is at present most depressed, that all really important lines have been already constructed, and that many most pressing needs of the country such as education receive no attention from the Government, on the ground of the poverty of its exchequer, one cannot help thinking bitterly of this reckless profusion of Government, in the matter of railway construc-

tion, especially as the Indian people feel that this construction is undertaken principally in the interests of English commercial and moneyed classes, and that it assists in the further exploitation of our resources.

The second suggestion is that the Guaranteed Railways should be taken over by Government at the first opportunity in each case without exception. The waiver of the right to take over the E. I. P. Railway twenty years ago was very unfortunate. Apart from the loss entailed by the high guarantee, by the unfair manner of calculating the surplus profits, and by their calculation six-monthly, instead of yearly, there is another very deplorable loss which the Indian Exchequer must bear in the matter of these Guaranteed Railways. The shares of these Companies are at a high premium, and that is due in great measure to the Government guaranteeing a high rate of interest. The premium thus is to a considerable extent only artificial, and yet Government must pay it when it has to take over these railways.

### Famine Insurance Fund

All statistics on the subject of this Fund are already before the Commission. Of late years there has been a great deal of controversy as to the real object with which the Fund was created. I think the best evidence that I can offer on this point is to quote the following extract from the Report of a Parliamentary Committee which examined in 1879 the subject of Public Works in India, and of which Lord George Hamilton<sup>1</sup> was chairman.

During the financial years 1877-78 and 1878-79 additional taxation was imposed in India in order to establish an Annual Famine Insurance Fund of £1,500,000. That amount was fixed with reference to the famine expenditure, which during the last six years had amounted to the enormous sum (excluding loss of revenue) of £14,487,827, of which a very large proportion had been met by borrowing.

*The object, therefore, of this Famine Insurance Fund was by increasing the revenue to avoid the constant additions to the debt of India which the prevention of periodical famines would entail, by either applying that increase of income to works likely to avert famine, and thus obviate famine expenditure, or by reducing annually debt contracted for famine, so that if famine expenditure should again become inevitable the reduction of debt made in years of prosperity would compensate for the liabilities incurred during scarcity.*

This increase of taxation was sanctioned by the Secretary of State in Council on this understanding.

Last September the Home Authorities received a Despatch from the Indian Government adverting to the difficulty of discriminating between works strictly

1. see foot-note 2 on p. 6.

productive, and those only admissible as providing against the effect of famine, and proposing to accept a yearly maximum dead-weight charge, to be fixed, as experience may suggest, for works constructed as productive, whether under the existing strict conditions, or as now proposed, in order to prevent famine, or give protection from famine, or diminish the expenditure for the counteraction of famine, if it occurs. In other words, they would limit to a *specific maximum* amount the net expenditure for the interest on the capital cost of all such works and their maintenance after setting off all the net income yielded by the works. In addition to the annual loss entailed by their net existing liabilities, they proposed to add an annual sum not to exceed 25 lakhs of rupees, and they thought that that amount might form a primary charge upon the Famine Insurance Fund on the consideration that the construction of any works not fully productive, according to the existing definition, which may be thus facilitated, will cause an equivalent reduction of the ultimate liability on account of famines when they occur.

The first portion of this proposition had been already suggested by the Indian Government in 1876, and rejected by the Secretary of State in Council. The latter part of the suggestion by which it is proposed to permanently assign 25 lakhs of rupees of the Famine Insurance Fund, in order to raise money for the construction of famine works, not fully productive, is an entire inversion of the object for which the fund was raised. This increase of taxation was justified as necessary in order to meet, as far as was possible, famine expenditure for the future out of income; but to immediately appropriate a portion of the income so raised to pay the interest of new loans was a proposal which, in the opinion of your Committee, the Secretary of State in Council had no option but to reject.

Lord George Hamilton is now Secretary of State for India, and, judging from a recent debate in the House of Commons, his Lordship seems to have forgotten what he wrote in 1879 as Chairman of that Parliamentary Committee. The Indian people, however, have a better memory.

### The Civil Departments of the Bombay Presidency

I now come to a criticism of the Civil Departments of my Presidency, on which subject, I understand, the Commission would like to hear my views. I may mention that a very exhaustive memorial, criticising the working of these departments from the financial point of view, was submitted in 1886 by the Poona Sarvajanic Sabha, of which I was Hon. Secretary for seven years, to the Finance Committee appointed by Lord Dufferin. In so far as the situation has undergone no change, that criticism has only to be briefly repeated on this occasion. Where the situation is altered, I must modify our observations of ten years ago.

### General Administration

The total charge under this head in 1884-85 was about 12½ lakhs of rupees. In 1894-95 it was over 14½ lakhs. A large part of the increase is due to exchange compensation allowance. About half a

lakh is due to the transfer of the charges of the Inspector-General of Jails, Registration and Stamps, to this head. The increase in the Civil Secretariat is striking, being about 60,000 rupees. The expenses of the staff and household of the Governor have also increased from 86,000 rupees to over one lakh. It has long been felt that the Bombay expenditure under both these heads is on an extravagant scale. In Madras they manage things much cheaper. Madras is a larger Presidency than Bombay, and yet, in 1894-95, its Civil Secretariat expenditure was only 306,400 rupees, as against 414,000 rupees for Bombay. Similarly, the staff and household expenditure in Madras in that year was 46,000 rupees, as against 107,000 rupees for Bombay. On this point I would suggest that the Staff and Household allowance in Bombay should be commuted into a lump-sum of about 60,000 rupees a year.

The intermediate supervising staff of Commissioners of Divisions also comes under this head. Its cost in 1894-95 was over 3½ lakhs. This item of expenditure is a very heavy and perfectly needless drain upon the revenues. This institution of the Commissioners introduces an unnecessary step between the district and the headquarters of Government, causes culpable delay in the speed of despatch of public business, and is opposed to the proper efficiency of the District Government. The Commissionership of the Central Division was, moreover, created twenty years ago in consequence of the pressure of famine, and it ought to have been abolished as soon as the pressure had disappeared.

### Land Revenue Administration

The charges under this head are about 65 lakhs, and have for some years past been more or less steady. In the Presidency proper, there are 12 senior and 9 junior Collectors, with 41 Assistant Collectors. There is besides a large number of supernumeraries. Then there are about 50 Deputy Collectors, and a large number of Mamlatdars, one for each taluka. On an average, each district has one Collector, two Assistant Collectors, one or two supernumeraries, and two Deputy Collectors, with a Mamlatdar for each taluka. When the Revenue Department was first organised, the other departments of the State were not formed, and the revenue officers were the only officers whom Government could regard as its principal executive officers. Collectors therefore, found it almost impossible to conduct their duties efficiently, and their staff had to be strengthened by the addition of Assistant Collectors; but during the last few years, most of the other Departments have been fully organised, and each Department has now its special

staff of administrative and executive officers. Under these altered circumstances, therefore, there no longer exists the necessity of maintaining the staff of Assistant Collectors under the district revenue officer, except so far as the necessary provision of training some few covenanted Civilians for district work might require. For this purpose, one, instead of two or three,—the present number of assistants—would be more than sufficient. This change, without affecting the efficiency in the slightest degree, will relieve the State of a needless and costly burden.

The district in India is the proper unit of administration, the Collector being the chief representative of Government in the district. The present scheme of District Administration, however, is radically defective, and entails a large waste of public money. The great multiplication of Central Departments, which has taken place in recent years, has, while imposing a heavy strain on the finances, considerably weakened the position of the Collector, and the machinery of administration has in consequence become much more vexatious to the people than it was before. The great fault of the existing system is that the number of inspecting, controlling and supervising officers is wholly out of all proportion to the number of real workers. Government, in all the departments, fixes the salaries of its officers high enough to show that it trusts these officers and expects from them efficient and conscientious work; but after showing this mark of confidence, it imposes check upon check, as if no officer could be trusted to do his duties. Perhaps, such a state of things was inevitable in the early days of British rule, when everything had to be properly organised, and various administrative reforms had to be carried out. But now that things have settled themselves, and most of the work done is comparatively of a routine character, it is a sheer waste of public money to maintain such a system of checks and over-centralisation. I have already spoken of the Divisional Commissioners, who are at present only a fifth wheel of the coach. In the North-West Provinces, Punjab and Bengal, there are, besides the Commissioners of Divisions, Revenue Boards of two or three members. This double or treble machinery serves no useful purpose beyond a nominal, but very often vexatious, check. It may be admitted that some check is necessary, but too much check defeats itself by becoming either vexatious or nominal or both. What is wanted is a check, more real, by its being more on the spot. The district being a unit of administration, the Collector's position should be that of the President of an Executive Board, consisting of his Revenue, Police, Forest, Public Works, Medical and Educational Assistants, sitting together each in charge of his own department, but taking counsel in larger matters with the

heads of the other departments under the general advice of the Collector-President. To this official Board, the Chairmen of the District and Municipal Boards may be joined as non-official representatives. These ten members, thus sitting together, and representing as many departments, would form the best check on each individual department. With such a self-adjusting, simple and effective system at work, the present complicated and less efficient system of check and over-centralisation might be dispensed with to the great relief of the people, and of the finance of the Presidency.

### Forest

The expenditure under this head was Rs. 9,64,000 in 1891-92. In 1894-95, it was Rs. 10,34,000—an increase of Rs. 70,000 in three years. The increase was mainly due to exchange compensation allowance. The administrative charge in this Department is excessive. The salaries of the Conservators, Deputy Conservators and Assistant Conservators, who, with the exception of one man, are all Europeans, amount to no less than 3½ lakhs of rupees, or one-third of the whole expenditure. The department, moreover, is working in a most unsatisfactory manner, causing immense discontent and irritation among the rural classes—a discontent gradually culminating in some parts in outbreaks of lawlessness. It also comes frequently into conflict with the Revenue Department. If the work be handed over to and placed under the charge of the Collector with a Forest Assistant, its operations will be much less vexatious to the people, the conflict between it and the Revenue Department would be avoided, and the arrangement would result in a saving to the State. The Forest Department is at present controlled by three Conservators, nineteen Deputy Conservators and nine Assistant Conservators. There are besides about twenty extra Assistant Conservators. This excessively costly staff could now be reduced and replaced by much cheaper agency, if the suggestions made above were carried out. Moreover, the work done by the lower-paid establishment should be, as far as possible, handed over to the village officers who would do it much more efficiently and cheaply, as a small increase in their existing remuneration would be deemed by them as adequate payment for the extra work.

would do where we now have three. The change will be attended with advantage to the agriculturists and relief to the finances of the country.

### Police

The charge under this head in 1894-95 was over 66 lakhs of rupees. In 1892-93, it was less than 51½ lakhs. The increase is chiefly due to the reorganisation scheme carried out in 1894 at an annual cost of over four lakhs for the Mofussil Police and about one lakh for the Police of the Presidency town. As in the case of several other Departments, this Department is largely over-officered in the upper staff. In 1884, the Inspector-Generalship of Police was created with a salary of Rs. 24,000 a year. The creation of this office was not favoured by the Government of India itself for a long time, but it yielded at last to the persistent pressure of the local Government. This needless centralisation, in addition to being expensive, has disturbed the harmony which previously prevailed in the district administration, when the District Police Officer was a direct subordinate of the Collector of the District. The Police Department has no policy of its own to carry out, and it may well remain directly under the Collector of each District. I may mention that men like Sir Barrow Ellis<sup>1</sup> were strongly opposed to the creation of the Inspector-Generalship.

The superior staff has been constantly on the increase. In 1879, the number of District Superintendents and Assistant Superintendents was 22. In 1886-87 it was 30. It now stands at 38, all Europeans. There are besides about nine Probationers. The institution of the grade of Police Probationers has all along been regarded by the Indian public as a great scandal, and evidence was offered before the Public Service Commission that all the 13 Probationers that had till then been appointed were relatives of persons occupying high posts in the Administration — men who had failed in qualifying themselves for any other career.

But while the superior staff is excessive and too costly, the lowest grades in the Department — the class of Constables — require large improvement. A much better type of men must be attracted to the ranks by offering adequate inducement. It is no exaggeration to say that the Indian Police of the present day, outside the Presidency towns, are a thoroughly incompetent, unscrupulous, corrupt body, causing vast misery to the bulk of the people. They are often found to be

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1. Sir Barrow Herbert Ellis, I.C.S., (1823-87), served in Sind (1851-58), acting some time as Chief Commissioner; member, Bombay executive council (1865-69); member, Viceroy's executive council (1869-75); member, India Council (1875-83).

themselves actively aiding and abetting crimes—especially crimes connected with property. Outside the Presidency towns there is no detective service worth mentioning. A large increase of expenditure is necessary if the Department is to be effective for protecting, and not harassing, the general population.

### Education

Here, too, a large increase of expenditure is necessary if Government desires to discharge its duties adequately by the people. The charge under the head of education at present is about twenty lakhs, of which three lakhs are consumed by direction and inspection. Our percentages are, no doubt, slightly better than those for the whole of India, but that is hardly a matter for congratulation, seeing that what is being done is almost as nothing compared with what ought to be done. So long as we have only 9,000 public primary schools for over 25,000 towns and villages, and about 80 children out of every 100 of school-going age are growing up in utter darkness, so long the educational policy of the Government will always be a reproach to it.

In this connection there is one point to which I am anxious to draw the particular attention of the Commission. That point is the absolutely inelastic character of the financial provision which is made for primary education in rural areas. In these areas primary education is now entrusted to Local Boards, Government contenting itself with a grant-in-aid to these Boards of one-third the total expenditure. Now the only revenue that these Boards have at their disposal is the proceeds of the one-anna cess, and these proceeds are devoted in certain fixed proportions to primary education, sanitation, and roads. As our revenue settlements are for periods of thirty years, it follows that during these periods the proceeds of the one-anna cess must be more or less stationary—which means that the amount that Local Boards can devote to primary education, being a fixed proportion of those proceeds, must also remain more or less stationary during the currency of each period of settlement. And as Government will, as a rule, contribute only one-third of the whole expenditure, *i.e.*, one-half the amount spent by the Boards, it is clear that the resources that are available for the spread of primary education are entirely inelastic for long periods. I believe Sir James Peile<sup>1</sup> had proposed, when he was Director

1. *Sir James Braithwaite Peile*, I.C.S., (1833-1906); Director of Public Instruction, Bombay (1869-73); Political Agent in Kathiawar (1873-78); member, Famine Commission (1878-80); member, Bombay executive council (1883-86); Vice-Chancellor, Bombay University (1884-86); member, Viceroy's executive council (1886-87); member, India Council (1887-1902); member, Welby Commission (1895-1900).



of Public Instruction in Bombay, that local bodies should be empowered to levy special educational cesses, if they pleased. In the absence of Government finding more money for the education of the masses—a duty definitely accepted as a sacred trust — this seems to be the only possible solution of the difficulty.

### Law And Justice.

The charge under this head in 1894-95, including the cost of jails, was 46 lakhs of rupees. Of this sum, the expenditure on the High Court came to about 6½ lakhs. It has long been a matter of complaint that our High Court is managed on a more extravagant scale than that of Madras, the expenses of the latter in 1894-95 being less than 5½ lakhs. The great item of difference is the expenditure of the Original side, which in Bombay is about 2½ lakhs, and in Madras not even one lakh. The Appellate side of the Bombay High Court, which does the Appellate work for the whole Presidency, is maintained at a cost of about one lakh of rupees only. The expensiveness of the High Court is, however, not due so much to the cost of the machinery employed as to the monopoly enjoyed by Solicitors and Barristers, whose fees represent a charge on litigation which is almost prohibitive. It is, indeed, high time that the system of the Civil and Criminal Administration of Justice in Bombay was improved so as to render it less costly. The Finance Committee of 1886 made certain proposals about reducing the cost of the Bombay High Court, some of which have not yet been carried out. The Clerk of the Insolvency Court still continues to receive fees amounting to nearly the salary of a puisne Judge for only nominal work.

The Judicial Department is specially a department for high posts in which the qualifications of Natives have been repeatedly recognised. And yet among all the District and Sessions Judges of the Presidency, there is not to be found a single Native except Mr. Tagore<sup>1</sup>, who, however, got in by passing the competitive examination in England. The Public Service Commission recommended that one-third of the District and Sessions Judgeships should be set apart for Natives. No effect, however, has yet been given in practice to that recommendation.

The question of the separation of Judicial and Executive functions comes under Law and Justice. It is contended, on behalf of Government, that such separation would entail extra expenditure of some-

1. *Satyendranath Tagore*, second son of Maharshi Debendranath Tagore and elder brother to Rabindranath; entered the I.C.S. in 1864 and served till 1897, being, at different times, District and Sessions Judge at Sholapur, Bijapur and Satara translated the autobiography of his father, and the *abhangs* of Tukaram.

thing like half-a-crore of rupees for the whole of India. Now, in the first place, this appears to be simply an over-estimate. Assuming, however, that the additional cost would be as high as that, it is much less than what was given to the European Services by one stroke of the pen in 1893—I mean the Exchange Compensation Allowance.

This year, in certain famine areas, Sub-Judges are entrusted with criminal work also to the relief of revenue officers, and the experiment so far has succeeded very well. A similar experiment was tried during the famine of 1877 with equally satisfactory results.

The Stipendiary Sub-Judges and Sub-Magistrates may with advantage be relieved of a portion of their lighter work, by the appointment of Honorary Magistrates and Arbitration Courts. Honorary Magistrates have already been appointed in the larger towns, but benches of such Magistrates may be constituted in Taluka towns with great advantage to the Government and the people. Further, the caste and trade Panchayats may be utilised for the purpose of settling civil disputes. There has already been a reform in the manner of disposing of petty cases, and Arbitration Courts have been reorganised as cheap and efficient institutions for the administration of justice in small cases. If the same principle be extended to the courts of Subordinate Judges, and if Civil Juries are associated with Sub-Judges in the disposal of suits involving larger amounts of money, as also in deciding questions regarding rights and customs, ample relief will be afforded to the superior Courts, which may ultimately enable considerable economies to be effected.

### Public Works Department

The expenditure under this head, including Provincialized Railways and Irrigation and Civil Works, was about 35 lakhs of rupees in 1894-95, out of which about one-third was for establishment. The first two items came to a little over one lakh, and the rest was for Civil Works. Except in Sind, we have no irrigation worth speaking of, and I think it would be a great advantage if the construction of storage tanks and wells in areas where the rainfall is uncertain were undertaken by Government on a large scale and in a systematic manner. As regards the Civil Works outlay, it is noticeable that the highly paid machinery of Executive Engineers, etc., is still kept up in all the Districts, though in several of them the expenditure on Civil Works from the Provincial revenues does not exceed a merest trifle, and the works required by the Local Funds are of a sort that far lower establishments can safely undertake. The reduction in the Executive Engineer's charges appears to be urgently called for.

### Monopoly of all Higher Offices by Europeans

Similar criticism might be offered about the remaining Departments, but I have no wish to weary the Commission with further observations of the kind. But there is one great evil common to all the Departments, and a few words on that may be allowed. This evil is the practical monopoly of all the higher posts by Europeans. The following analysis of the Civil List for the Bombay Presidency for January, 1897, will make my meaning clear :

*Covenanted Civil Servants*, or as they are now called, *Civil Servants of India*. The total number of these Civil Servants attached to Bombay at present is 156, out of whom only five are Indians, these five having entered by the competitive door in England. There are, besides, eight statutory Indian Civilians. The Members of Council, the High Court Civilian Judges, the Commissioners of Divisions, the Secretaries to Government, the Senior Collectors are all Europeans. There is one native among the District and Sessions Judges, and one native Acting Junior Collector among Junior Collectors.

*City Magistrates*—There are four City Magistrateships, two on Rs. 800 a month, and two on Rs. 500 a month. The two former are held by Europeans (not covenanted), the two latter by natives.

*Land Records and Agriculture*—There are six posts in this Department, with a salary of over Rs. 400 a month. They are all held by Europeans.

*Forest Department*—There are 29 posts in this Department, with salaries ranging between Rs. 400 a month to Rs. 1,600 a month. They are all held by Europeans. There are nine Europeans even below Rs. 400 a month.

*Salt*—There are 12 posts with salaries ranging between Rs. 400 to Rs. 1,130 a month. Only one of these is held by an Indian.

*Post*—The Postmaster-General is a Civilian. There are 11 posts under him, with salaries above Rs. 400, out of which 7 are held by Europeans.

*Telegraph*—There are 12 posts in this Department, with salaries ranging between 400 and 1,000 rupees, and they are all held by Europeans. There are, moreover, 40 posts between Rs. 100 and Rs. 400 a month. Of these, also, 36 are held by Europeans.

*Revenue Survey*—There are 10 posts in this Department, with salaries above Rs. 400. They are all held by Europeans.

*Accountant-General's Department*—The Accountant-General and Deputy Accountant-General are Civilians. There are five posts under them, with salaries ranging between 400 and 1,000 rupees, four of which are held by Europeans.

*High Court Judges*—Out of seven Judges, two are Natives.

*Government Law Officers*—There are seven Government Law Officers, of whom six are Europeans. Four of these get Rs. 2,000 a month and above, one gets Rs. 1,000, and the sixth man gets Rs. 250. There is only one native among these, who is paid Rs. 300 a month.

*Officers of the High Court*—There are 14 officers, with salaries ranging between 400 and 2,500 rupees a month. Of these 6 are Natives.

*Prison Department*—The Inspector-General draws Rs. 2,000 a month, and there are under him 11 officers receiving Rs. 350 to Rs. 1,200 a month. They are all Europeans.

*Cantonment Magistrates*—There are 11 such Magistrates, with salaries ranging from Rs 100 to Rs. 1,250 a month. They are all Europeans.

*Police*—There are 54 officers in this Department, with salaries ranging between Rs. 250 and Rs. 1,800 a month. Of these only 3 are Natives, and they are all drawing Rs. 250 a month. There are, moreover, five officers in charge of Railway Police. They are all Europeans, and draw salaries ranging between Rs. 350 and Rs. 1,000 a month.

*Education*—The Director is paid Rs. 2,500 a month, and under him there are 45 officers receiving between Rs. 400 and Rs. 1,500 a month. Of these only 10 are Natives, and with one exception, they get either 400 or 500 a month — the one gentleman mentioned as an exception is a Native Christian, and draws 633 rupees a month.

*Ecclesiastical*—There are 31 paid officers in this Department. They draw between Rs. 400 and Rs. 800 a month, and are, of course, all Europeans.

*Medical*—The Surgeon-General draws Rs. 2,500 a month, and there are under him 59 officers drawing salaries between 400 and 1,600 rupees a month. Out of these only 4 are Natives.

*Sanitary*—There are 7 posts in this Department, with salaries between Rs. 400 and Rs. 1,200 a month. They are all held by Europeans.

*Political*—There are 66 officers in this Department, drawing salaries ranging between Rs. 400 and Rs. 3,500 a month. Only 2 of these are Natives, one of them drawing Rs. 400 and the other Rs. 450 only.

*Public Works*—There are 83 officers in this Department, drawing salaries between Rs. 250 and Rs. 2,500 a month. Of these 23 are Natives.

The Subordinate Judgeships and Deputy Collectorships are the only branches of the Public Service which are free from this practical monopoly by European officers.

1. May this be a misprint for 1,000?

## APPORTIONMENT OF CHARGES BETWEEN ENGLAND AND INDIA

On the narrower ground which the Government of India have chosen to occupy in this matter, they have, I think, stated the case for India very effectively. I agree, however, with Mr. Dadabhai Naoroji<sup>1</sup> and Mr. Wacha in thinking that the field, in respect of which equitable apportionment is necessary, is much wider than that. I will add a few observations to explain my meaning :

### (1) The India Office Charges

These stand at about £273,000, and ought to be borne by England or at least divided half-and-half between England and India. The Secretary of State for India, as a member of the Imperial Cabinet, represents the Imperial Executive, and discharges the Imperial function of general controlling supervision in respect of Indian administration just as the Secretary of State for the Colonies does for the Colonial Governments. The salary of the Colonial Secretary, together with his office charges, is borne on the Imperial Estimates. In strict justice, therefore, the India Office ought to form part of the Imperial Establishments and paid out of the Imperial Exchequer. I am, however, aware that it is urged on the other side that, under present arrangements, the India Office has to do much directive and executive work in regard to Indian administration which the Colonial Office is not called upon to do, and I should, therefore, be satisfied if the charges were divided half-and-half between India and England.

### (2) Army Charges Due to Recent Additions

These increases were due to the panic caused by the Penjdeh incident, and were alleged to be necessary for the better protection of the North-West frontier. Upper Burmah was, however, subsequently annexed. British Baluchistan was organised, various frontier enterprises carried out, and almost the entire increased strength has been thus absorbed in these newly conquered territories — a fact that shows that they were not really required for purposes of the defence of the North-West frontier.

Similar temporary additions were made at the same time to the Imperial garrisons in other parts of the Empire in view of an imminent conflict with Russia, Mr. Gladstone obtaining a large vote of credit for

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1. see foot-note 2 on p. 377.

this purpose. But as soon as the emergency passed away, the garrisons were reduced; only in India was the increased strength maintained.

These additions were in excess of the maximum defence requirements of the country as defined by the Army Commission of 1879 in view of frontier and other contingencies,—even Russia and Afghanistan making common cause.

The additions were protested against when made by two members of the Viceregal Council, including the Financial Minister, who urged that in the first place they were not necessary, but that, secondly, if they were wanted, that was for purposes of the Imperial policy, and the Imperial treasury should pay for them.

This increased force, therefore, of 30,000 troops, forms no part of our Indian army proper, but is an Imperial garrison and serves as an Imperial Reserve, and the cost of it ought to be an Imperial charge.

### (3) Our Ordinary Debt

Our ordinary debt, as distinguished from our Public Works debt, stands at present at 68 crores.

This portion of our debt would not have until now remained undischarged but for charges unjustly imposed upon us in the past in respect of various wars and expeditions in promotion of Imperial schemes of territorial expansion.

	Cost in Crores.			
First Burmese War (1823)	...	...	...	13
First Afghan War (1838-42)	...	...	...	15
Abyssinian War	...	...	...	6
Second Afghan War				
Total Cost	...	...	...	23 Crores.
Minus Imperial Contribution		5	"	
				17
Egyptian War	...	...	...	1.2
				46.8

Add to this 67·8 crores thrown upon India since 1835, in pursuance of an Imperial policy, as shown in the following table :

Frontier Expenditure since 1885.	Aggregate Charge during the Period in Crores.	Permanent Annual Charge in Crores.
Military Roads ... ..	1·250	...
*Strategic Railways ... ..	14·000	·600
Special Defence Works ... ..	4·630	...
Army Increases (including Baluchistan Garrison) ... ..	22·000	3 900
Frontier Extension :		
1. Upper Burmah ... ..	14·920	·925
2. British Baluchistan ... ..	...	·086
3. The Gilghit Agency and Protectorate ( including Chitral ) ... ..	...	·220
4. Somali Coast ... ..	...	·012
5. The Afghan Protectorate ... ..	...	·180
Cost of Expeditions, &c. ( exclusive of Burmah ) ... ..	8·240	...
Political Expenditure ... ..	2·838	·457
Total in Crores. ...	67·878	6·380

\* The charge is met from capital and not from current revenue

We thus get a total of 114·6 crores of rupees, unjustly imposed by the Imperial Government on us in furtherance of its own policy. If even half the sum were refunded to us, our ordinary debt will practically disappear.

I would mention in this connection that we have paid every shilling of the cost of British Conquest, including even the cost of the suppression of the Mutiny ( which was close on 50 crores ), England contributing absolutely nothing in aid of all this expenditure, though her responsibility for the latter event was possibly greater than ours, in consequence of the withdrawal of European regiments from the country, despite the protest of the Government of India, for service in Crimea and Persia.

England has paid such charges for Imperial Conquest or settlement in respect of her Colonies. She has even paid the cost of the suppression of the insurrection in Canada (1838-43) out of Imperial

Revenues. Nor has she ever called upon her Colonies—not even the Cape—to undertake Imperial wars or to contribute towards their charge.

UPPER BURMA lies beyond the Indian frontier, and we have had no interest in its conquest and annexation except as a province to be held and administered as an Imperial trust. The conquest was effected in furtherance of Imperial policy and the commercial interests of the Empire, and no special Indian interest was ever here at stake.

British Baluchistan and the Gilghit Protectorate are beyond the line of our impregnable defences, and India has no concern with them except as Imperial charges.

These are new conquests, and as years pass by will require large expenditure for purposes of administrative improvement and material development. And it is suggested that they be taken off our hands—as Ceylon, St. Helena, and the Straits Settlements were in a former day—and be directly administered as appanages of the Crown.

Bechuanaland (South Africa) is administered as a Crown Colony, and is not thrust on the hands of the Cape.

### Political Expenditure Beyond The Frontier

This is properly Foreign Office Expenditure as connected with the general foreign relations of the Empire. Foreign policy and control of foreign relations are Imperial functions, and charges in connection therewith, in whatever part of the Empire, ought to be borne on the Imperial Estimates.

India has no interests whatever beyond her territorial borders, and has only to maintain peace and order on her own side of the frontier. The Indus, the desert, and the Himalayan Wall are impregnable lines of defence on the North-West, behind which she can remain in perfect security.

All such expenditure, therefore, as is represented by the subsidies to the Amir and other tribal chiefs, and other like charges, is strictly Imperial in furtherance of Imperial interests in mid-Asia.

### The Irreducible Minimum of Europeans

Lastly, if England thinks that a certain number of the European officers and a certain strength of the European Army must always be maintained in India, she must be prepared to pay a fair share of the cost thrown on India for the purpose, the maintenance of Imperial Supremacy in India being a matter affecting the most vital interests of England.



## ÓRAL EVIDENCÉ

*Monday, April 12th and Tuesday, April 13th, 1897*

(*Chairman.*) The Commission is very glad to have this opportunity of obtaining your opinion on questions connected with the administration of the Government in India. Would you tell us the subjects to which you have devoted your attention, and the employment which you have held in India?—I am honorary secretary of the Deccan Sabha, an Association established in Poona for promoting under British rule the political interests of the Indian people. For seven years I was honorary secretary of the Poona Sarvajanik Sabha, another political association in Poona of a similar character, and honorary editor of its quarterly journal, a magazine dealing principally with questions of Indian finance and Indian administration. I am, besides, a member of the Council of the Bombay Presidency Association, on whose behalf my friend Mr. Wacha has given evidence before this Commission. For four years I was one of the secretaries of the Bombay Provincial Conference. I was also a secretary of the 11th Indian National Congress that met in Poona in 1895. I was for four years one of the editors of the *Sudharak* or *Reformer*, an Anglo-Marathi weekly of Poona. Lastly, I belong to a body of men in Poona who have pledged 20 years of their life to the work of education, and am Professor of History and Political Economy in Fergusson College.

How would you like to divide your evidence?—In accordance with the plan adopted by the Commission, I will divide my evidence into three portions, the Machinery of Control, the Progress of Expenditure, and the Apportionment of charges between England and India.

Then, we will take, first of all, the machinery of control, and perhaps you would give us your views upon that subject?—The question of the machinery of constitutional control is, in my opinion, a question of the highest importance. I may state at the outset that the position of India, so far as the administration and management of her expenditure is concerned, is somewhat exceptional. In the United Kingdom and the Colonies, public expenditure is administered under the control of the tax-payers, and, therefore, presumably solely in the interests of the tax-payers. In India, however, other interests are often deemed to be quite of equal importance, and sometimes indeed they are allowed to take precedence of the interests of the Indian people. Thus we have, first of all, the standing claims of the interests of British supremacy, entailing a vast amount of expenditure, the benefit of which goes to others than the tax-payers of the country.

The large European Army maintained on a war footing in times of peace, the practical monopoly of nearly all the higher offices in the Civil Services by Europeans, and the entire monopoly of such offices in the Native Army illustrate what I mean. I do not deny that this supremacy in itself has been a great advantage to India, but what I mean is that the price that is exacted for this advantage is beyond all proportion too high. We next have the interests of the extension of British dominion in the East. Large sums have been from time to time spent in the past for this purpose out of the Indian Exchequer—in many instances in spite of the protests of the Indian Government—and if things continue as at present, this misapplication of India's money is not likely to stop. All expenditure incurred in connexion with the Afghan and Burmese wars, the extension of the Northern and North-Western frontiers, and the utilisation of Indian troops for Imperial purposes is expenditure of this description. Then there are the interests of the European Civil and Military Services in India. The extravagant privileges conceded to Staff Corps officers in 1866 have, it is now admitted on all hands, imposed, and improperly imposed, a heavy charge on the Indian revenues. The reorganisation of the Public Works Department in 1885 may be cited as another illustration. The Finance Committee of 1886, appointed by Lord Dufferin's Government, consisting of men like Sir Charles Elliott, late Lieutenant-Governor of Bengal, Mr. Justice Cunningham, Sir W. W. Hunter, Mr. (now Sir James) Westland, Mr. Justice Ranade, and others thus expressed themselves on this subject :

The reorganisation of the (Public Works) Department was undertaken in consequence of an agitation on the part of the European Civil Engineers employed in it, which was conducted in a manner likely in our opinion to have a bad effect on discipline and therefore deserving of the disapproval of Government. It seems to us to have violated the orders of Government on the subject of combinations by its servants. Such an agitation would not have been permitted in any other department and should not again be allowed. The object of the reorganisation was to improve the position of the officers of the department generally, and in particular to remove the block of promotion, which had arisen from the excessive number of recruits obtained from Cooper's Hill College in the earlier years of that institution. During the continuance of the discussion, which we have summarised, great attention was given to the grievances of the officers of the department, but a careful consideration of the whole subject leads us to doubt whether the measures sanctioned were altogether suitable, either in kind or in respect of the classes to which they were applied. They mostly consisted of increments of pay to the Executives of the third and fourth grade, and to the Assistant Engineers of the first and second grades, none of which classes of officers were at the time, so far as we understand the case, in particular need of special assistance, and of the grant of greatly improved pensions to all officers of both classes, and they were made perpetual in their application.

The concession made in 1890 to uncovenanted civil servants, whose pensions were fixed in rupees, that these pensions would be converted into sterling at the rate of 1s. 9d. to the rupee, and the grant of exchange compensation allowance to all non-domiciled European and Eurasian employees of Government indiscriminately are more recent instances. Lastly, the interests of British commerce and of British commercial and moneyed classes often prevail over the interests of the Indian tax-payers. I might have mentioned the abolition of import duties during the administrations of Lord Lytton and Lord Ripon, as also the tariff legislation of last year as instances. But they do not come under expenditure and may therefore possibly be regarded as irrelevant. But the wasteful nature of many railway contracts, the extraordinary help given to the Orissa Company, the Madras Irrigation Company, and such other bodies of English investors, the vigour with which the construction of railways is being pushed on, programme following programme almost in breathless succession, in spite of the protest of the Finance Member that the finances of the country now needed a respite in that direction, the conquest and annexation of Burmah, practically at the bidding of a powerful English trading company—these are instances which are not open to the same objection. This frequent subordination of the interests of the Indian tax-payers to these other interests makes it all the more imperative that the machinery of constitutional control should provide adequate safeguards for a just and economical administration of the Indian expenditure, and yet, I fear, nowhere are the safeguards more illusory than in our case.

You say there that other interests are often allowed to take precedence of the interests of the Indian people. May it not be said, on the other side, that the measures which you name are not taken in the interest of a class, but that they are undertaken in the interest of good government in India?—It all depends on what is meant by good government; our view is that these concessions are more in the interests of particular classes than of the Indian people.

I want to bring before you what would be the counter-statement, namely, that the Indian Government, which is responsible for good government in India, has considered a number of these measures to be necessary for good government in India, and therefore this *per contra* argument should be borne in mind, should it not?—Oh, I know that but it may also be remembered that responsible officers of Government itself after a time condemn many of the steps taken previously; for instance, the members of the Finance Committee condemned what the Government had done only five or six years before; the Government themselves have admitted that in the matter of the Staff Corps officers

they made a great mistake. Then there is another thing also that no one expects the Government to openly acknowledge, namely, that these measures are intended in the interests of the services; nobody ever could expect that. Of course, whenever they are adopted, they are adopted ostensibly in the interests of good government; but the Indian people cannot help feeling that they are really adopted in the interests of certain classes. I am putting forward, of course, the view of the Indian people; I know that there is that view on the other side, which Government puts forward occasionally.

(*Sir Andrew Scoble*<sup>1</sup>) You do not profess to speak on behalf of the whole of the Indian people, do you?—Well, I profess to speak on behalf of the Deccan Sabha in the first instance; but judging from resolutions of the Congress, and the petitions which several other political bodies have from time to time addressed to the Government on the subject, I claim the views of the Congress party are the same.

(*Chairman*) You speak of the large expenditure which has been laid out in the interests of the extension of British Dominion in the East. On the other side, would not the Indian Government say that, according to the best of their knowledge and experience, that expenditure was necessary for the maintenance of peace and good government in India?—Yes; but in several cases the expenditure was forced upon India in spite of the protests of the Indian Government. The Afghan War of 1879, for instance, was ordered practically by Lord Beaconsfield from home. Lord Northbrook resigned previously rather than send a Consul to Cabul. In the same manner the first Afghan War was forced by the Board of Control on the Indian Government against the wishes of the Indian Government.

The point I wish to bring to your attention is this, namely, that in stating what you consider to be the opinion of the Indian people you state quite fairly one side of the question. On the other side, we ought to bear in mind that the Government which was responsible did think those measures were necessary in the interests of good government?—Of course, I do not dispute that.

And, therefore, there is something to be said upon the other side; without holding that that is a complete answer, I bring before you the fact that there are two sides to the question?—Yea.

I think you notice in one or two passages of your statement, a number of what appear to you to be errors on the part of the Indian

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1. *Andrew Richard Scoble*, Advocate-General, Bombay; member, Bombay Legislative Council (1872-77); Legal Member, Viceroy's executive council (1886-91); member, House of Commons (1892-1900).

Government. You speak of the wasteful nature of railway contracts; the extraordinary help given to certain irrigation companies, the grants made by way of compensation allowance, and so forth. Well, I believe in each of those cases the Indian Government have arguments which it would oppose to your view that these were all cases of wasteful expenditure; but even granting for the moment that they were so, is it not the case that all Governments make mistakes; and supposing that India was entirely free from British domination, do you not think that they would be liable to and would commit mistakes of the same kind?—I do not question the motives of the Indian Government; I do not even say that no other Government ever commits mistakes in that way. All I say is that, if there had been better control, those mistakes would have been possibly minimised, if not absolutely avoided; my point is that.

Then, next, would you give us your views on the machinery as it exists at present?—The spending authorities in the matter of Indian expenditure are the Provincial Governments, the Government of India and the Secretary of State in Council (to which we must also add the Secretary of State in the Secret Department).

Would you explain what you mean by the Secretary of State in the Secret Department?—The Secretary of State in the Secret Department might send out orders to the Government of India without the knowledge of his Council, and these orders might ultimately entail very large expenditure; therefore, practically, he orders that expenditure, and I look upon him in that sense as a spending person.

(*Sir Donald Stewart*<sup>1</sup>) Can you give any examples of that?—Yes; this Afghan war, for instance; the orders in connexion with the Afghan war were sent direct by the Secretary of State to the Government of India.

Any more recent ones?—I believe that it is relevant, but I am not quite sure, because the point is not in connexion with expenditure—but I believe tariff legislation and things of that kind have been ordered from here.

But you refer to expenditure?—Yes, I refer to expenditure. Well, it is so difficult to say, because the *proceedings of the Council* are not available to us; but, as we know from the constitution of the Council

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1. *Donald Martin Stewart*, (1824-1900), entered the East India Company's army (1840); served throughout the Mutiny (1857); commanded a brigade in the Abyssinian expedition (1867-68); Chief Commissioner, Andaman Islands (1871-75); Military Member, Viceroy's executive council (1880-81); Commander-in-Chief in India (1881-85); member, India Council (1885-1900).

that the Secretary of State can send out orders, I am pointing out a defect in the constitution.

When you speak of the Afghan war are you referring to the 1879 Afghan war?—The 1879 Afghan war; the first Afghan war was also ordered by the Board of Control, as far as I understand.

(*Sir Andrew Scoble*) When you speak of the Secretary of State in the Secret Department, do you mean to assert that there is any Secret Department in the India Office, or that the Secretary of State, when he acts in the way that you describe, is acting as the mouth-piece and organ of the British Government?—Yes, that is what I mean, without the knowledge and sanction of his Council.

And of the British Government?—Of course with the knowledge of the British Government, but without the knowledge of the Council.

(*Sir Donald Stewart*) But that is not quite correct?—I am open to correction; but this is the opinion that I have formed after reading what literature has been available to me on the subject.

(*Mr. Courtney*<sup>1</sup>) Is it without the knowledge of the Council, or without the assent and concurrence of the Council?—Without even the knowledge of the Council he can send orders; if he marks a despatch as confidential or secret, the Council cannot see it.

(*Sir James Peile*) Can he send it without the knowledge of any of the Council?—It is so difficult to say; he may, if he likes, show it to some.

You do not know?—I do not know.

You should not be so positive then?—I believe the Council means the whole Council; and if only one or two members see it that is not the Council seeing the thing.

(*Mr. Naoroji*) That is at the discretion of the Secretary of State?—The Secretary of State.

(*Chairman*) But do you found your opinion of this power which you attribute to the Secretary of State upon any clause or section in the Act of Parliament regulating the Government of India?—Yes; this power that the Act gives to the Secretary of State to mark a

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1. Leonard Henry Courtney, 1st Baron Courtney, of Penwith, (1832-1918); professor of political economy, University College, London (1872-75); entered Parliament (1875); under-secretary for Home Affairs (1890); secretary to the Treasury (1882); an opponent of the 'forward' policy in Egypt, the Sudan and South Africa; author of 'The Working Constitution of the United Kingdom' (1907) and 'The Diary of a Churchgoer' (1904).

despatch as confidential, and then send it on without the knowledge or cognisance of the Council, that is what I have in view.

And that, you say, is actually contained in the Act itself, is it?—Well, that is my impression.

(*Sir Donald Stewart*) As I gather from the witness, he is referring to orders that may be issued in the Secret Department, which cause expenditure.

(*Chairman*) That I understand?—Orders, which ultimately may lead to expenditure, not immediately.

(*Sir Andrew Scoble*) Either directly or indirectly?—It may only be a course of policy or a course of conduct which immediately may not involve expenditure, but in the long run it may make expenditure inevitable.

Can you give any instances of what is in your mind when you say that, because if there were an order to take military proceedings, which is one case that you have mentioned, that would involve immediate expenditure, would it not?—It is so difficult for us to say definitely, because we do not see the proceedings of the Council; but I have such a case as this in mind, for instance, the Secretary of State wishes that the British Government should send an embassy to some place outside the limits of British India; well, if he marks that despatch as confidential, it need not come before the Council and the Council need not see it. However, the sending of this embassy may ultimately bring the country into difficulties that might lead to war.

Have you in your mind any concrete case of the kind?—Well, I think the consul that was sent to Cabul in 1879 by the Government of India; that was in consequence of instructions which Lord Lytton received direct from the Secretary of State.

That is your impression?—Yes, that is my impression.

(*Sir Donald Stewart*) But in that case any expenditure that was involved in sending the embassy must absolutely come before the Secretary of State in Council, and be discussed in Council?—I thought that the mere sending of the embassy, if the despatch was marked confidential—

I gathered your argument referred to a question of expenditure? Yes; but it is not direct expenditure.

And all expenditure has to be discussed in Council?—What I mean is that, if it directly involved expenditure, it would come before the Council, but, if it only ultimately may involve expenditure, it would not come before the Council necessarily.

No expenditure whatever can be sanctioned by the Secretary of State without the concurrence of his Council? — Yes, I know that; but he might order a line of policy which immediately may not involve any expenditure, but which ultimately may necessitate expenditure. It then becomes merely a question of policy.

(Chairman) Perhaps you would go on; you were dealing with the controlling authorities, I think? — The controlling authorities at present are: the Government of India controlling the Provincial Governments, the Secretary of State in Council controlling the Government of India (the Council sometimes tries to control the Secretary of State, but it is now much more dependent on him than it was once), and Parliament in theory controlling all. Now, in the first place, all this is purely official control, unless indeed, by a stretch of words, we regard the theoretical control of Parliament as to some extent popular. Real popular control, in the sense of control by the taxpayers, is, practically speaking, entirely absent from the whole system. There are, no doubt, the Provincial and Supreme Legislative Councils in India. But, so long as the budgets are offered for criticism only and have not got to be passed, and so long as the members are not allowed to move any resolution in connection with them, they cannot be called controlling bodies in any proper sense of the expression.

Would you not allow that the free power of criticism is a real exercise of the power, I will not say exactly of control, but of check? — To some extent it may be a check, but it is not control; that is what I am saying. Of course, I admit that there is value, a great deal of value, in these discussions. Secondly, I venture to think that even the official control, such as we have it, is, except in the case of Provincial Governments, of very little value from the taxpayers' point of view. The Provincial Governments are indeed controlled, and more than controlled, officially — they are, in fact, crippled. But as regards the Government of India and the Secretary of State in Council where they are in agreement, their powers of incurring increased expenditure are almost unlimited; and unfortunately they are generally found to be in accord in matters in which the Indian taxpayer feels a direct interest, their differences being usually about matters for which he cares little or nothing.

Would you explain what you mean by "matters for which he (the Indian taxpayer) cares little"? — Well, I might take the case of the increase of the army. Now that was a question in which the Indian taxpayer felt a direct interest. The Government of India proposed, and the Secretary of State sanctioned, the increase by telegraph. I do not mean here to question anything they do; all that I



want to do is to point out that in matters which involve large expenditure they are generally found to be in accord.

But then you say that their differences are in matters for which the Indian taxpayers care little?—Yes. They may differ as to whether there should be so many officers in a particular regiment or not. They sometimes differ from one another in such matters, but we do not feel much interest in their differences. If they differed, that would be a safeguard, because then the Secretary of State would act as an appellate body.

I think you have mentioned, have you not, that, on one or two occasions, on important questions there has been a difference between the Secretary of State and the Viceroy?—Yes; and to that extent, that was very valuable; but I wish that they differed oftener than that.

Still your statement is put very broadly; would you not make some qualification?—I have been careful, I think, my Lord. I have said, I think, "their differences being usually about matters"—on rare occasions they do differ—but usually "about matters about which we did not care much". Lastly, section 55 of the Government of India Act of 1858 is supposed to give protection to Indian revenues against their application to extra-Indian purposes; but it is now well-known how that section has failed to attain its object in practice. I will explain that later on.

Will you tell us what you consider to be the result?—The results of this state of things have been very unfortunate. Under the East India Company our revenues were certainly much better protected. The Company's government was, so to speak, a strong buffer between Indian interests and Imperial interests; and as Sir Charles Trevelyan has observed, it was often able to offer a successful resistance to the demands of the Queen's Government.

Would you explain a little more what you mean by the revenue under the East India Company being better protected; in what sense do you mean that?—Against the demands of the Imperial Government, the Government here at home. Sir Charles Trevelyan has given that in detail before the Fawcett Committee<sup>1</sup>, and he says that it often happened that extra charges were attempted to be put upon India, and the representatives of the Company fought with the representatives on

1. The reference is to the Select Committee of the House of Commons appointed "to enquire into the Finance and Financial Administration of India" (1871-73). It was as a result of the exertions of Mr. Fawcett that the then British Government appointed the Committee and included Mr. Fawcett as a member in it. (see also foot-note on p. 9.)

the other side, and generally they carried their point. I have taken the statement from Sir Charles Trevelyan's evidence.

And do you think that in the financial administration of India itself the East India Company was more economical than the Queen's Government?—I think so. I think they were much more economical. It might be mentioned that so far as possible they avoided extra taxation; that was a characteristic feature of pre-Mutiny finance; as far as possible, they avoided additional taxation.

But there was a good deal of extra taxation put on under the East India Company, was there not?—Not much. If the whole period of their rule were examined, it would be found that they generally adhered to the taxes that were already in existence; and that it is since 1857 that so many more taxes have been imposed upon the country. This point, also, is brought out very well by Sir Charles Trevelyan in that evidence.

Will you proceed?—The inquiry which Parliament used to make into Indian affairs every twenty years in those days, and the spirit of jealous wakefulness which it used to exhibit on those and other occasions, were a further protection to Indian interests. With the establishment of the direct administration of the Crown all this has gone, and the administration of the Indian revenues is now practically entrusted to a Cabinet Minister, assisted by a Council of his own nomination, a Minister who brings no special knowledge or experience of Indian affairs to the discharge of his duties, who, as a member of the Imperial Executive, naturally has an eye to Imperial politics rather than to Indian interests, and who is peculiarly liable to be swayed by the varying currents of English public opinion and other English influences. All financial power in regard to expenditure—executive, directive, and controlling—is centred in his hands; and with all these vast concentrated powers he has really no responsibility except to the Cabinet, of which he is a member and of whose support he is always assured, and to Parliament where he has a safe majority behind him in virtue of his position as a Cabinet Minister. The position virtually amounts to this, that it is the administration of the finances of one country by the Executive Government of another, under no sense of responsibility to those whose finances are so administered.

You say that all financial power in regard to expenditure is centred in his hands; are not the Council a check upon him in matters of expenditure?—Well, they are supposed to be a check; but I must say that we are not impressed by the way in which that check is exercised. Recently, for instance, there was an example in *coupe*.

xion with these Suakin<sup>1</sup> charges. Two members, Sir James Peile and Sir Donald Stewart, protested; and the whole of India in fact was of the same opinion; the Government of India itself was of that opinion; and yet the Secretary of State was able to carry his point, so that practically he is supreme; the position comes to that.

But, though there was a protest made by two members of the Council, I gather from your statement that the remainder of the Council supported the Secretary of State?—That must have been so, I believe; that is also the inference I would draw.

And, therefore, that proves nothing to the effect that the Secretary of State has autocratic power in the matter?—Except this, that the members do not care to differ from him—perhaps I ought not to use that expression—but they generally are disposed to agree with him—the majority of the members. Well, that does not amount to an effective check.

Have you any reason for saying that the members generally agree with him?—That is what has been said by many men. Sir Charles Trevelyan notably said that he was hopeless of the Indian Council; “hopeless” was the expression that he used with all his knowledge. I mean to cast no reflection on any of its working, but that is the feeling in India. If the other members had taken the view that was taken by these two members, that would have been a good check.

But, of course, the other members of the Council may have been conscientiously of opinion that the step was the right one?—I quite admit that; I do not mean to say that they must have done it against their conscience; but we deplored their vote all the same.

For years past we have been treated as a vassal dependency, bound to render services to the suzerain power and to place our resources, whenever required, at its disposal. As a result, millions upon millions have been spent on objects which have not advanced the welfare of the Indian people so much as by an inch—even the empty sense of glory, which is a kind of barren compensation to self-governing nations for such large expenditure of money, is not available to us as a consolation. And not only have these vast sums been thrown away in the past—thrown away, of course, from the Indian taxpayers’ point of view—but, as a direct result of that expenditure, the country is now pledged to indefinite, and possibly vaster, liabilities in the future. And all this has gone on, while the expenditure on objects which alone can secure the true welfare and prosperity of the people, has been woefully neglected.

1. A Sudanese port on the Red Sea. In 1895, in the course of Kitchener’s campaign in the Sudan, the Indian Government was asked to send a brigade of the Indian Army to Suakin, and the request was complied with.

You say that as a result millions and millions have been spent on objects which have not advanced the welfare of the Indian people so much as by an inch. Could you tell us what you have in your mind when you say that?—I have in mind the past expenditure that has been incurred on the Northern and North-Western frontier in connexion with the frontier Imperial policy. When I say that that expenditure has not advanced our welfare by an inch, I mean that in matters of education, in matters of domestic improvement, we are where we were, whereas this expenditure has been going on increasing.

Would you apply that criticism to all defensive expenditure—that it is thrown away?—It would involve a discussion of a question of policy, but my own view is, that the Government ought to have confined themselves to the natural defences that they had, and not have gone beyond the frontiers and incurred all this expenditure.

That is quite a legitimate opinion of your own, but it is only your own opinion?—Of course, I can state only my own opinion.

And, I think, when you and I are speaking across the table, we are neither of us military authorities, are we?—I admit that. But it is not our fault, I mean the fault of Indians like myself, that we do not see the military point of view just as the military people would like us to understand it; we are non-official critics, and all the information that is available to us we utilise.

But we must bear in mind, must we not, that, while the criticism is what I may call lay criticism, though it may be perfectly legitimate criticism, on the other hand, a different opinion has been taken by the military authorities, who are experts in the matter; and it would be a very grave responsibility for the Government to take, would it not, to neglect the warning of their expert advisers in military matters?—Oh, I quite admit that; but there are even military experts who take the same view as we do. Colonel Hanna<sup>1</sup>, for instance, has recently written three books, and in them he has said that the Government has made a great mistake in going beyond the frontier.

(*Mr. Caine*<sup>2</sup>) All that the witness said to you just now he would also mean to convey to the Commission, as the deliberate and unanim-

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ous opinion of all the Associations which he says he represents here. Would not that be so?—That is so.

There would be no difference of opinion on questions of frontier policy as expressed by you?—No difference of opinion amongst Indians, the Indian political Associations.

(*Sir William Wedderburn*<sup>1</sup>) And it is because Indian public opinion regards these expeditions as aggressive rather than as defensive that they object to them so strenuously?—That is so.

(*Mr. Courtney*) Has any voice been raised by the Indian members of the Legislative Council against them?—Well, they protest occasionally. The non-official members of the Viceregal Council protest against charges; but there is no vote, no division, and it comes to nothing.

(*Sir Andrew Scoble*) Do you remember any occasion of their entering such a protest?—Oh, yes, I remember that two years back the Honourable Mr. Mehta<sup>2</sup> of the Bombay Presidency protested very strenuously against these military expenditures.

Which expenditure?—The frontier military expenditure—Chitral, I think.

The Chitral expedition?—Against such expeditions as that; we say they were not necessary; they say they were necessary—and there is an end of the matter.

Then the protest, made two years ago, was made after the expedition was over, and the expenditure had been incurred, was it not?—When I mention Chitral, I mean expeditions like Chitral; the expeditions have been going on latterly rather too fast, and I do not remember just now whether it was against Chitral or some other expedition that Mr. Mehta protested.

Surely, if you speak on behalf of these political Associations, and protests were made on their behalf in the Legislative Council, you can tell us what the precise expedition was, and what was the precise

1. *Sir William Wedderburn*, Bart. (1838-1918); entered Indian Civil Service (1860); served in the Bombay Presidency, first as Assistant Collector, then as District Judge at Ratnagiri, Ahmednagar and Poona; and as Judicial Commissioner in Sind; Judge, Bombay High Court (1885); member, Bombay executive council for a short time; retired from the I.C.S. (1887); M. P. (1893-1900); one of the founders of the High School for Indian Girls, Poona, and of the Alexandra School for Girls, Bombay; chairman, Governing Body, Deccan Education Society, Poona; helped in starting the Congress organ *India*; president, Indian National Congress (1889 and 1910).

2. see foot-note on p. 425.

protest, can you not?—I should like to refer to the discussion before giving an answer to that.

(*Mr. Naoroji*) Were there any independent, non-official, partially elected, members at the time of the Afghan War; that is rather a later arrangement?—Yes, that is rather a later arrangement.

And at that time there were none?—No, there were none.

They were all nominated at that time?—Yes.

(*Chairman*) What defects do you consider to exist in the present arrangements?—The principal defects in the existing arrangements to which, in my humble opinion, these deplorable results are to be traced, are two: (1) autocratic financial power practically concentrated in the hands of a member of the Imperial Executive without adequate securities for its due exercise; and (2) the absence of effective protection to India against financial injustice at the hands of the Imperial Government, there being no impartial tribunal left to appeal to for redress of such wrong, and no constitutional power to resist unjust demands.

Now, passing to the Council of the Secretary of State, are there any observations you have to offer to us?—When the Government of India was transferred from the Company to the Crown, the Secretary of State's Council was intended to be a check on him, and guarantees were provided for securing the independence of members. But these guarantees have, nearly all of them, been swept away by the amending Acts of 1868 and 1876. Under the arrangements of 1858 the members of the Council were to hold their office during good behaviour, and were not removable except on an address of both Houses of Parliament. They were thus placed in a position of dignified independence to exercise the important powers of control entrusted to them under the Act. The Act of 1869, however, profoundly modified this position of the Council. It provided that all appointments to the Council were thereafter to be made by the Secretary of State. The members were to hold office for ten years only, and for special reasons, to be communicated by the Secretary of State to Parliament, they might be reappointed. These modifications at once lowered the position of the members, destroyed the independence of the Council, and virtually left the Secretary of State supreme in the direction of affairs. The Council was, in fact, reduced to the status of a subordinate consultative Board to be composed of the nominees of the Secretary of State, stripped of its original dignity and independence, and left unfitted for the proper discharge of its high constitutional functions. The Act of 1876 empowered the Secretary of State to appoint three of the members for life, thus throwing additional power into his hands. The manner

in which the Council is recruited is also open to the gravest objection. Nearly all the members are persons who have held high executive office in India. They cannot, as a rule, be unbiassed judges of the actions of their successors, for the simple reason that in their own time they had in all probability behaved in the same way. There are no representatives of independent Indian public opinion on the Council. Moreover, the machinery of the Secret. Department enables the Secretary of State to order a course of action which may practically render large expenditure inevitable, without the knowledge of his Council.

You are criticising the Act of 1869, and you point out that it provided that all appointments to the Council should thereafter be made by the Secretary of State?—Yes.

By whom would you like the appointments to be made?—Well, I do not object to the Secretary of State making the appointments as the Council is now constituted; but the manner in which the Council is recruited is regarded as objectionable for this reason, that the class of men that are selected for it are generally persons who have occupied high executive positions in India.

We will come to that, if you please, afterwards. Just at the present moment I want to get your view as to the method in which the Council should be recruited. Your words would rather imply a criticism upon selection by the Secretary of State, and I wanted to gather how you yourself would prefer to see the nominations to the Council made?—I would wish it made by the Crown.

By the Crown; it would still be by the Secretary of State?—It may come to that ultimately; but there is a greater dignity felt, when the appointment is made by the Crown.

There may be a dignity in it being stated that the Crown makes the appointment; but the Crown can only act upon the advice of the Secretary of State, and, therefore, the result is the same, whether the appointment is made by the Crown or by the Secretary of State directly. I want to gather from you whether you acquiesce in the Secretary of State as the person who is to choose the members, or whether you had in your mind any other method of appointment?—No; my point was this, that men who are presumably to control the Secretary of State should occupy a certain position in regard to their appointment; also I consider that there is greater dignity in the appointments if made by the Crown than by the Secretary of State.

(Chairman) That is quite intelligible.

(Sir Donald Stewart) But they are made by the Crown now.

(*Chairman*) Are they?—No, by the Secretary of State.

Then that confines your criticism really to this, that you would like the appointment of these councillors to be made by the Crown as adding weight and status to their position?—Yes.

But, further than that, you do not contemplate any other method of appointment than by the Secretary of State; in either case the Secretary of State would be the virtual appointer?—I admit that.

(*Mr. Mowbray*) Or would you mean the Prime Minister by "the Crown"?—If that could be secured, that would be better; I think if the Prime Minister could appoint—if the Crown could appoint on the recommendation of the Prime Minister—that would be better.

Had you that in your mind when you said "the Crown"?—I was not quite clear that the appointments by the Crown were really at the instance of the Secretary of State; I had thought it was at the instance of the Prime Minister, but I took it from the Chairman that they are at the instance of the Secretary of State.

(*Sir Andrew Scoble*) I understood you to suggest that the alteration of the appointments from "during good behaviour" to a limited period of 10 years was a great objection, in your mind, to the fostering of that spirit of independence, which you would like to see in the Council of the Secretary of State?—Yes, that is so.

(*Chairman*) You speak as if the Act of 1869 modified the previous practice. Before 1869 do you consider that the members of the Council were nominated in a different manner?—Yes, they were differently appointed. To begin with, out of 15 members eight were appointed by the Crown and seven were appointed by the Court of Directors.

(*Sir Donald Stewart*) Would you read that? (*Handing copy of Act to witness.*)—This is the Act of 1853, but I am speaking of the Act of 1869.

The same form in practice still exists?—Under the first Act the appointments were to rest with the Crown, but the Act of 1869 provided that they were to be by the Secretary of State. I think Sir James Peile supports me in that, that the present appointments are by the Secretary of State.

(*Chairman*) But, going back to what I was saying before, was not the old practice applicable to nominations to be exercised once only? The Act, I presume, contemplated that all new nominations would be made as they are made now?—The vacancies among those seven members were to be filled by a sort of co-optation, while all vacancies in the eight members were to be filled by the Crown.



And therefore you look upon it that at the beginning, under the original Act, the idea was that a certain number of the members for all time would be co-opted?—Yes; after the first nomination they would be co-opted.

Should you maintain that the Act of 1869 was a definite change in that respect, inasmuch as it vested the whole of the nominations in the Secretary of State?—Yes, that is what I mean.

(*Mr. Courtney*) And do you think that that change in itself was one for the worse?—In this way, that the controlling body became more dependent upon the Secretary of State, and lost some part of its first dignity.

It would be no more dependent, when once appointed. A member of Council was as independent of the Secretary of State, after appointment, after 1869 as before?—The Secretary of State has also got the power of re-appointing after ten years, which was not possible before.

Because formerly a member of Council was appointed for life?—Yes.

Do you think that it was desirable that the original appointments for life should have been maintained?—My own opinion about the India Council is that after all it would be an advantage to have short term appointments only; but we are talking at present from the point of view of control, and, so far as that goes, the change was for the worse, because the body became less independent.

You think a member of the Council, looking to the chance of having his tenure prolonged, is more dependent on the Secretary of State?—Well, I would not put it quite so strongly as that; but it makes a change.

In what other respect is there dependence?—If there is no suggestion of dependence in that, why have they made the English judges independent? They all feel that appointment for life secures better independence.

But, supposing with respect to English judges the law were altered so as to require them to retire at 70, which many people think would be desirable, would that affect the independence of the English judges?—That would not; but if any judge could be re-appointed after he was due to retire, well, that would to some extent have a tendency to affect his independence.

some time back brought to light. General Strachey<sup>1</sup> had advocated the narrow-gauge system in India—in fact he was looked upon as the author of that narrow-gauge system—when the question was before the Supreme Government. The question afterwards came before the Secretary of State. General Strachey himself by that time had come into the Secretary of State's Council, and naturally, being a great expert, his voice prevailed over everybody else's. The same man who was responsible for the introduction of the narrow-gauge system also ultimately approved of that system. I only want to point out that the opinions of these gentlemen are formed quite definitely, and they are not likely to form very impartial judges; I mean they are not likely to see the other side.

But a council constituted like the Council of India would be perfectly alive—as much as you or I would be—to this danger of leaving any officer to determine—what I take to be your meaning—in his own case personally. The Council would be quite as able, I think, as anybody else to discount that danger, would they not?—It depends. When a person is a very strong person he is able to make an impression on his colleagues, and make them see just as he sees.

Of course it is then within the bounds of possibility that such a person might be right, is it not?—Oh, perfectly so; I do not say he was not right; I only say the control is not then properly exercised.

Do you not think the body of the Council, independent gentlemen—independent of such a person at all events—are quite able to discount, to appreciate this danger which you point out, and to guard against it?—In such technical matters it is an expert whose opinion carries a great weight naturally.

Not necessarily a predominant weight?—No, not necessarily a predominant weight, but it would almost look like it. I myself should be very much influenced by an expert's opinion.

Naturally?—Naturally.

(*Sir Andrew Scoble*) But you would not expect a man to give up the honest opinions he had formed during a long period of service in an executive office, simply because he happened to be placed in the

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1. *Richard Strachey* (1817-1903); Consulting Engineer, Railway Department (1833); Secretary, P.W.D. (1862); Inspector-General of Irrigation (1866); member, Viceroy's Legislative Council (1869); originated schemes for financial decentralisation and for carrying out Railway and Irrigation works on borrowed capital; Finance Member, Viceroy's executive council (1878); member, India Council (1879); president, Indian Famine Commission (1878-79); member, Herchbell Currency Committee (1892).

Secretary of State's Council?—I do not; I know they would all stick to their opinion. That in itself constitutes a sort of incapacity to see the other side.

If they all stuck to their opinions, would you not get that friction which is so desirable in a body like the Council of the Secretary of State, so as to secure the expression of opinion on both sides?—I do not know how that friction would be secured, because they are all moulded more or less in the same groove and see things in the same manner.

Would it not lead to the conclusion that they were right, if they all agreed?—The Government of India or the Secretary of State in Council would have to be regarded as infallible if we were to argue like that.

(*Sir William Wedderburn*) In that case of the adoption of the narrow-gauge system there was very nearly universal public opinion, European and Native, against it in India?—That is how I understand it to have been.

(*Sir Andrew Scoble*) That was not the case, because there was a great division of opinion upon that question of the gauge?—But there was a very important opinion on the other side.

There was a very important body of opinion, as I recollect, on both sides?—Of course, since General Strachey was able to carry his point, it must have been that he was strongly supported.

I feel bound to say that I was a strong supporter of the broad-gauge system myself. I know there was a very great and important and valuable body of opinion on the other side?—I am pointing out what struck me as the defects in the constitution itself; though, sometimes, the defects might exist, yet the constitution might work better; but that does not mean that the defects themselves are not to be found fault with.

(*Chairman*) Dealing with that question of the constitution of the Council, I would like to learn a little more fully from you whether you do not see a risk in a Council composed of people who have had no experience of India?—If judges, for instance, were put on the Council, they would bring a general knowledge of India to the discharge of their duties; and I have such faith in an Englishman's sense of duty, that I believe that in a short time they would qualify themselves for the work, and they would be more impartial men.

And would the Council that you think it would be advisable to form, consist altogether of Indian judges?—I only gave an example; there might be non-official leading Anglo-Indians upon it, and they

might also appoint some men on the recommendation of the Legislative Council, of the representative members of the Legislative Council.

You do not mean that you would put on the Council, Englishmen who had never been in India?—I would put some of them also, because they would be able to see things from a different standpoint; even now, I believe there is some provision like that.

(*Sir Andrew Scoble*) There are some?—There are some even now.

There is an Indian judge on the Secretary of State's Council, is there not? Sir Charles Turner, lately Chief Justice of Madras?—I would strengthen the judicial element, and reduce, if not altogether abolish, the executive element.

(*Chairman*) Do you not think there is a great advantage in the Secretary of State having at hand men who have held very high executive office in India, who are able to give him the benefit of their experience?—The real Government of India is in India, and ought to be in India. So far as general questions are concerned, it is only when questions are referred to the Secretary of State that the Secretary of State has to take cognizance of them; and I believe that, if judges and such other persons as I have mentioned qualified themselves properly for the discharge of their duty, they would assist the Secretary of State quite as well as the present executive members.

In your definition of the position of the Secretary of State, you observe there are very important questions that would be referred to the Secretary of State?—Yes, sometimes.

And you do not think it desirable that he should have at hand officers who know something of the circumstances under which the questions have arisen, and who are able to advise him from their knowledge of Indian opinion and of Indian tradition; you would leave him on those points to form his unaided judgment? I grant you that you have spoken of Indian judges being present; but the Indian judges I understand, have not got the administrative experience that many of the present members of the Council have?—That is true; but under the present system it comes to this, that men who are responsible for things in India, themselves in course of time come to be members, and they, therefore, cannot be expected to condemn what they themselves have done before.

(*Sir William Wedderburn*) You attach more importance to impartiality than to special knowledge of the subject?—I do.

Because the matters that come up before the Secretary of State are generally in the nature of an appeal against some action of the Executive in India?—Yes.

. And you do not wish those who have been the authors of these executive acts to come and sit afterwards in appeal upon those acts?—That is precisely my view.

( *Mr. Courtney* ) I should like, before you conclude this part of your subject, to get some definite idea from you as to how you would wish this Council of the Secretary of State to be constituted; how many members would you like to have?—They have at present reduced the number to, I think, 10 members, and it might very well so remain. Each of them might hold office for five years or so—I would not put the thing quite definitely—only say five years or so.

Wait a moment; five years or so? Are you clear about that?—Well, I think so.

Do you think ten years too long?—Well, I think it is rather too long; that is my view.

Next you would like to have them appointed nominally by the Crown?—By the Crown.

The appointment by the Secretary of State means the same thing?—If it comes to the same thing, well, there is no help; but there would be a greater dignity in the position.

You would have none appointed by any other authority than the Crown?—Well, the ultimate appointment should be by the Crown; some of the members should be appointed on the recommendation of the members of the Indian Legislative Council.

Of the representative members of the Supreme Legislative Council, I suppose, in India?—Yes, that is what I mean, the Supreme Council; but it all depends on how many members you give.

Suppose you take the allotment of three as you suggest?—Well, the representative members of the Supreme Legislative Council might nominate them.

Might nominate three?—Might nominate three.

( *Sir Andrew Scoble* ) By the "representative members" do you mean the non-official members generally, or only a certain class of non-official members?—The non-official members who are appointed on the recommendation of certain bodies.

Not those who are nominated by the Viceroy?—No, because that means Government nomination pure and simple.

Then how many members of the Viceroy's Council are there who fulfil that condition that you have named?—I believe there are seven or eight now.

Eight ; and you would allow those eight to elect three members to the Secretary of State's Council ?—But each member has behind him another electorate.

I did not ask you whom they represent ; but you would allow these eight members to appoint three members of the Secretary of State's Council ?—Well, I would, because there is no other machinery that represents India as these eight members do.

( *Mr. Courtney* ) It would not work out in your scheme that the eight would appoint three straight away ? I mean, when it came into full operation, there would be a vacancy every two years or something of that kind ?—It would be that.

You would have an appointment made by the eight members of this year, and the eight who would appoint two years hence might or might not be the same but might be partly the same and partly different, and so on ?—Yes.

That would amount to three out of the ten. Would you allow the Crown to have any veto on that nomination ?—Oh, of course, the Crown must have the power of veto on that nomination.

The recommendation would be accepted, or not, by the Crown ?—Yes.

You would expect it to be accepted as a rule ?—That is what I mean.

With reference to the other seven, do you lay down any restriction as to the classes from which they would be chosen ?—I did not expect to be asked to place before the Commission a definite scheme, but I should think that there should be three Indian judges ; that is how it strikes me now ; about three members might be Indian judges.

Three ex-judges out of seven ?—Three ex-judges. Yes. Then if the members are ten there should be two Englishmen who have never been out to India, and two other persons who have been in India ; they might belong to the Executive, or they might not belong to the Executive. I would not absolutely shut executive officers out.

You would reduce the representation of the Executive machinery of India to very modest dimensions ?—That is because I feel our grievance is against them — not against any of the individual members, but against the system which makes them the judges of their own acts.

You say you are not expected to answer these questions, but as far as the Government at home is concerned, it seems as if in your mind the efficiency of the control depended upon the composition of this Council ?—Yes.

Therefore it is very important to have some idea—not a rigid one, but some idea—of the way in which you would like that Council to be constituted?—As a matter of fact, I do not expect that this Council would be modified in any way, or, at any rate, that there would be much modification in the constitution of this Council; but I have proposed a committee afterwards which would be a more effective committee of control; I attach more importance to that.

Who should be in London?—Who should be in London. —

( *Sir Donald Stewart* ) Lord Welby, the witness is right in saying that the appointments to the Council here are made by the Secretary of State, but the Secretary of State's appointments are, as heretofore, submitted to Her Majesty for approval before they are published; that is the procedure, I believe.

( *Chairman* ) But the appointment does not actually state that it is made by the Queen?—Under the Act it is made by the *Secretary of State*; the names are submitted to Her Majesty for ratification.

( *Mr. Mcnabray* ) Is that under the original Act?

( *Chairman* ) No; that is under the Act of 1869. Now then, perhaps, we will pass on to the point of the Government of India and the Finance Member?—Subject to the control of the Secretary of State, which often is only nominal, the Government of India can administer the Indian revenues practically as they please.

Would you let me just interrupt you there. I have some difficulty in reconciling that statement with what you have just told us; when speaking of the Secretary of State, you said the administration of the Indian revenues is now practically entrusted to a Cabinet Minister, assisted by a Council of his own nomination—a Minister who brings no special knowledge or experience of Indian affairs to the discharge of his duties; who, as a member of the Imperial Executive, naturally has an eye to Imperial politics; that all financial power in regard to expenditure—executive, directive and controlling—is centred in his hands, and that with all this vast concentrated power, he has really no responsibility except to the Cabinet of which he is a member, and of whose support he is always assured, and to Parliament where he has a safe majority behind him. I have some difficulty in reconciling that with your statement when you say "subject to the control of a Secretary of State, which is often only nominal"?—What I meant there was that that was the theory of the subject, and that in regard to any general questions of policy which involve large expenditure, the voice of the Secretary of State prevails; but, subject to that, in all ordinary matters the Government of India is practically able to count

upon the assent of the Secretary of State. As a rule the Secretary of State adopts the views of the Government of India.

Then ought not your first statement to be made with some qualification, because it leaves us under the idea that the Secretary of State has the power of an autocrat in the matter of finance? — But the Constitution gives him that power, and how the Constitution is worked must depend upon the circumstances. I am now dealing with the actual working of the Constitution, but the Constitution gives, in the first place, those vast powers to him.

But should you not rather have stated it with that qualification, because I think anybody reading what you have stated to us would be under the impression that—I think these are your own words — the sole autocrat in Indian finance is the Secretary of State. Now it appears from this that you qualify this considerably in practice? — I would qualify my former statement by saying that under the Constitution he is so.

Would you go on? — The testimony of Sir Auckland Colvin and Sir D. Barbour on this point is of great importance. Sir A. Colvin was careful to point out that the present weakness of the Finance Member's position dates virtually from 1885. That being so, it is evident that the dissent of Lord Cromer, as also of Lords Northbrook and Ripon, from his and Sir D. Barbour's view is beside the point. It is true that Lord Lansdowne and Lord Roberts also do not endorse the view of the two Finance Members. But this was only to be expected, seeing that they themselves are the party against whom the complaint is directed. When Sir A. Colvin and Sir D. Barbour say that with the Viceroy on his side the Finance Member is as strong as he ought to be; and when they complain of the weakness of his position during their time, the only inference to be drawn from that is that the Viceroys under whom they served viz., Lords Dufferin and Lansdowne, were not of an economical turn of mind; and, of course, we cannot expect Lord Lansdowne to concur in that view.

But, if it is the case that there has been a change of policy since 1885, it is quite possible that that change may have been necessary, is it not?—That view may be held on the other side; it is open to them of course to say that.

I mean, is it patent on the face of it that the Viceroy must have been wrong and the Finance Member right?—But I am expressing what is the non-official view of the matter; the official view of course, we know, is that it was necessary.

But official view or non-official view, it does not really matter. It is sufficient to say that, when the Finance Member differs from the



Viceroy, necessarily the Viceroy must be wrong?—Oh, I do not say that; but the presumption is that the Finance Member, being a member of the Executive Council, would not oppose a thing, if it were really necessary, merely on financial grounds. I would be disposed to attach something of extra importance to the opinion of the Finance Member.

That is attaching a very great weight, is it not, to the superiority of financial knowledge in the Council?—But that is because he occupies a unique position; he knows what the executive needs are, and he knows also what the country can afford. The other members think rather of the needs, as they take them to be, than of the finances.

Then how would you sum up the question?—The whole position may be thus summed up: (1) The buffer of the Company's Government which fairly protected Indian interests is gone, and there is no effectnaal substitute; (2) We have no effective constitutional safeguards against the misapplication of our revenues to extra-Indian requirements; (3) The control vested in the Council of the Secretary of State under the statute of 1858 is rendered almost nugatory by the alteration of its status under recent amending Acts. The mode of recruiting the Council is also radically faulty; (4) The control of Parliament as against the Secretary of State has become entirely nominal, owing to the latter being a member of the Imperial Executive with a standing majority behind him. The old periodical inquiry by Parliament and its jealous watchfulness are gone. In fact, we have at present all the disadvantages of Parliamentary government without its advantages. In the case of all departments except the Indian, ex-Ministers think it their duty and also feel it to be their interest to exercise the closest watch on the proceedings of their successors with a view to passing the most adverse criticism that may be possible. In regard to India alone, ex-Ministers vie with and sometimes even go beyond their successors in extolling all that exists and all that is done. The responsible opposition in this country thus abdicates its functions in the case of India only.

When you speak of the old inquiry by Parliament, I presume you refer to the inquiry which took place at intervals of twenty years into the constitution of the old Company?—Yes, at the time of renewing the Charter.

And you think that that was a valuable method of inquiry which brought the whole question of the government of India before Parliament?—Yes.

But since the abolition of the Company in 1858, have there not been a great number of inquiries by Parliament into different branches

of Indian expenditure—especially finance?—Yes, there have been; notably the Fawcett Committee, which came twenty years after 1853, and then this Commission, which comes twenty years after that; I know that, but there is such a great amount of trouble in getting these committees, and of course there is no constitutional safeguard that they will be readily granted.

The difference that you speak of lies in this that, under the Charter of the old East India Company, these inquiries necessarily took place at the end of certain periods; under the present system you may have inquiries, probably equally valuable inquiries, but you have no security as to when, and under what circumstances, they will take place; is that it?—That is so, and there is another point also. In those days inquiries were made into the whole administration, while now generally certain points are specified. For instance, this Commission can inquire into expenditure, and not into revenue; there is that difference also.

There is another way of looking at that; if you appoint a Commission to inquire into everything connected with the administration, you generally find that from mere want of time it is obliged to slur over a good deal of its work. Do you not think there is a good deal to be said for appointing a Commission with a definite and more or less limited object; is it not more likely to get satisfactory results?—I quite admit the force of what your Lordship says, but there is this much on the other side, that the people could lay all their grievances before such a Commission, if it was a general one; and the fact that Parliament ordered these general inquiries before shows that they were alive to the importance of that consideration.

(*Sir William Wedderburn*) And was it not a great point in those inquiries that the renewal of the Charter depended upon the Company showing that they had done good work?—Yes, that was so.

And that, previous to the inquiry, the Government of India was very anxious to put its house in order in every department?—I believe it was.

So that there was not so very much to find fault with by the time they came and asked for a renewal of their power?—I should presume that was so.

But now the officials know they have a permanent position, and they do not care much about public opinion in India?—Yes.

(*Chairman*) You have drawn a distinction between the action of ex-Ministers when dealing with Home affairs and with Indian

affairs, saying, with regard to India, that ex-Ministers vie with, and sometimes even go beyond their successors, in extolling what is done. May I ask, do the facts really bear that out? If we take the case of the cotton duties, I think we heard ex-Ministers extremely critical upon the conduct of Ministers who were responsible for the cotton duties? — But, my Lord, there was this distinguishing circumstance. The Government of India and the Secretary of State were not in agreement, and, therefore, those that were connected with the Government of India before, naturally took the side of the Government of India; but in connexion with the recent debate, for instance, on Sir William Wedderburn's motion, Lord George Hamilton was not, if I may say so, quite able to put the case about famine insurance from the official side as strongly as Sir Henry Fowler<sup>1</sup> did — well, in no other department do ex-Secretaries come to the rescue of the Secretary of State quite in that fashion<sup>2</sup>; that is what I mean.

You make your statement rather sweeping, in drawing this distinction between the action of ex-Ministers in regard to English and in regard to Indian affairs. I have no doubt such a case as that you have mentioned could be adduced; but, on the other hand, I point out to you that Ministers received very severe criticism in Parliament on account of the cotton duties; and I might give you an instance on the other hand: there was a severe criticism on the actual Ministers in respect to the Dongola<sup>3</sup> expedition — I am not saying in the least whether they were right or wrong? — It again comes under that

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1. *Sir Henry Hartley Fowler* (first Viscount Wolverhampton) (1830-1911); member, House of Commons (1860-1908); under-secretary for Home Affairs (1884); president, Local Government Board (1892); Secretary for India (1894-95); chairman, Indian Currency Committee (1898-99).

2. The reference is to the amendment which Sir William Wedderburn moved on 26th January 1897 during the debate on the Address to the Crown, and to the speeches of the then (Conservative) Secretary of State, Lord George Hamilton and a former (Liberal) Secretary, Sir Henry Fowler, on Sir William Wedderburn's motion. His motion prayed for an inquiry "into the condition of the masses of the Indian people, with a view to ascertain the causes by reason of which they are helpless to resist even the first attacks of famine and pestilence". In the course of the debate, the administration of the Famine Insurance Fund was criticised, and both Lord George Hamilton and Sir Henry Fowler tried to reply to the criticism and to defend the Government of India. The latter said in the course of his speech: "I have a strong opinion of the goodness of the Government of India... I think it a wise, a strong, and an economical Government—a Government which has conferred upon India untold blessings".

For the Famine Insurance Fund, see pp. 169, 171-3 and 222 above.

3. Dongola, a province of the Anglo-Egyptian Sudan, noted for a breed of strong, hardy horses. The expedition was successfully led by Kitchener in 1896.

category which I have mentioned, namely, when there is a difference between the Government of India and the Secretary of State.

I do not see the connexion between that case and that of which we are speaking. All I say is, that there is no kind of conspiracy of conduct between Ministers and ex-Ministers in regard to Indian affairs?—I do not say there is any conspiracy.

That is my own word?—But there is no interest felt practically by the ex-Minister in criticising the proceedings of his successor. In regard to the English Budget, for instance, item by item there is a furious contest; whereas the Indian Budget is all passed or discussed in a few hours with empty benches, nobody feeling the slightest interest in the matter.

(*Sir William Wedderburn*) But in the case of the cotton duties, to which the Chairman referred, I do not think Sir Henry Fowler proposed to take any action in the case until the end of the session, when it was all settled and too late?—That was so.

And I do not think that he gave any assistance whatever, but rather was opposed to the motion with regard to the cotton duties which was made in the course of the session?—Yes; my point was that in the other departments ex-Ministers have a direct interest in discrediting the work—if I may use such a very strong expression—of their successors, showing up to the country practically that its affairs are not administered quite so well as they were by themselves. In regard to India there is no such motive.

(*Chairman*) My outside experience leads me to believe that ex-Ministers are quite as ready to criticise their opponents in the Government in regard to India as in regard to any other matter?—I thought it was a sort of official etiquette not generally to oppose Ministers in regard to Indian matters.

To resume: (5) The Government of India, as at present constituted, cannot be much interested in economy. Almost all internal administration having been made over to the Provincial Governments under the decentralization scheme, questions of foreign policy, large public works and military questions absorb almost the whole attention of the Government of India. Further, the Finance Member excepted, every other member of Council, including, since 1885, the Viceroy, has a direct interest in the increase of expenditure.

Well, in all Governments there are heads of departments, who are interested in expenditure; that is not a peculiarity of the Indian Government?—But in India they are not afraid of the taxpayers,

whereas in England they are afraid of the taxpayers, the control of the House of Commons being so effective.

It has been represented to us that, though they are not afraid of the taxpayers, at the same time heads of departments are aware that extravagant expenditure will necessitate increase of taxation, and they are aware that that is a serious matter?—Yes, but in England they have also to face a formidable opposition in order to pass their measure, whereas in the case of India there is no such thing.

(6) Neither in England nor in India is there the salutary check of public opinion on the financial administration. Parliament is ill-informed and even indifferent. And the Supreme and Provincial Legislative Councils are simply powerless to control expenditure, since the Budgets have not to be passed, and no resolutions in reference to them can be moved.

Coming to the question of remedies, I think it is, in the first place, absolutely necessary that the Indian Budget should be passed item by item in the Viceregal Legislative Council. Government may retain their standing majority as at present, and that means an absolute guarantee that no adverse vote will ever be carried against them. We have no wish to see the Government of India defeated on any point in the Supreme Legislative Council, but the moral effect of recording and, so to say, focussing by means of divisions, non-official disapproval of certain items of expenditure will, I expect, be very great. It must be remembered that, while large questions of policy can be discussed and settled with advantage only in this country, the details of Indian expenditure can be criticised effectively and with the necessary amount of knowledge only in India. I would also provide that, when a certain proportion of the non-official members of the Supreme Legislative Council, say more than half, are of opinion that the voting of a particular sum by the Council is prejudicial to Indian interests, they may, if they please, draw up a statement of their case and submit it through the Government of India to a Committee of Control which, I venture to suggest, should be created in this country. The creation of such a Committee of Control is a matter of the most vital importance. A Standing Committee of the House of Commons has been suggested, and would, I think, do very well.

You think a Committee of the House of Commons would do very well, although it belongs to a body that you have described as ill-informed, and even indifferent to Indian affairs?—But when certain members are specifically appointed to undertake a specific duty, I do expect that they will qualify themselves for that duty; or the Judicial Committee of the Privy Council might be entrusted with the work; or even the Arbitration Committee which now seems likely to be created

might do for this purpose. And the duty of reporting to Parliament from time to time on matters of Indian finance might be assigned to it. But whatever the form, the Committee should have absolutely no powers of initiating expenditure; else, like the old so-called Board of Control, it will do more harm than good. The Committee should take cognizance of all appeals addressed to it by the non-official members of the Viceroy's Council, and might also call for papers of its own accord, and exercise general control over the administration of Indian expenditure. The proceedings should be reported to Parliament from time to time. If some such body were called into existence, the mere fact that non-official members will be in a position to appeal to it, thereby putting the Government of India and the Secretary of State on their defence, will have a tremendous moral effect, which will make for economy and sound finance in a very striking manner. There is nothing in this which will in any way affect the directive and executive powers of the Secretary of State or the Government of India. The plan provides only for a reasonable amount of control and will enable the representatives of Indian taxpayers, who have no powers of controlling expenditure, to make a complaint in a responsible and constitutional manner.

You say that there is nothing in this plan that will in any way affect the directive and executive powers of the Secretary of State or the Government of India; but you are vesting in the non-official members of the Supreme Legislative Council a power of appeal to an outside body, which should on that appeal criticise, and report to Parliament on, the acts of the Executive. Now, without saying whether that would contribute to good government or not, it would be a very considerable interference with the executive power of the Secretary of State, would it not?—It would be this way: the Secretary of State or the Government of India might sanction a certain expenditure. This body might ultimately pronounce that the expenditure was not proper. The expenditure would have been incurred already; there would be no help so far, but it would have its effect afterwards.

Yes: but still, that power of a committee to report hostilely on the Secretary of State's action must be held to affect the executive power of the Secretary of State. It is an interference, surely, with the method in which the Secretary of State exercises his duties?—It would be a sort of control, and that would be necessary; but I do not see how it would be interference with his administrative work.

The Government would have an outside committee reporting upon their acts. It is very true it might not prevent the Secretary of State from giving an order, but it would be a very serious check upon

him, which is no doubt what you seek. So far as it exercises that check upon him, it is an interference with his powers, do you not think so ? —But your Lordship has already dwelt on the great importance of the effect of the independent audit. Now, arguing as you are now doing, might it not be said that that audit is an interference with the work of these Ministers ? The audit would point out any irregularity, and that would be a sort of—

The independent audit merely reports whether the expenditure is in accordance with the law, or with Government orders, which are equivalent to law. In this case, as I understand it, the non-official members are to criticise the policy, and this Committee of Control is to report to Parliament on the policy of the Secretary of State. That is not the same thing as seeing whether the expenditure is legal or not ? —The Committee would not veto the action of the Secretary of State or of the Government of India, but they would only report to Parliament.

( *Sir James Peile* ) Would they take evidence ?—Yes.

And put the Government of India on its defence ?—The Government of India would draw up a statement and send it up to that Committee ; and, if the members wanted any information they might call for it ; but we must really have some control of policy of that kind.

Thirdly, I would next suggest that, as a rule, the Council of the Secretary of State should be recruited from persons unconnected with the Indian Executive, and that a reasonable proportion be appointed on the recommendation of the representative members of the Indian Legislative Council.

( *Chairman* ) Is that the Council you are speaking of now ?—No, it is the Secretary of State's Council. I do not disturb the Council very much.

Fourthly, I would suggest that section 55 of the Government of India Act of 1858 be amended. This section, as it stands at present, enacts that " except for preventing or repelling actual invasion of Her Majesty's Indian possessions, or under other sudden and urgent necessity, the revenues of India shall not, without the consent of both Houses of Parliament, be applicable to defray the expenses of any military operation carried on beyond the external possessions of such frontiers by Her Majesty's forces charged upon such revenues." Now, this only safeguards the controlling powers of Parliament, and does not provide, as is commonly believed, against the diversion of our moneys from their legitimate use, the only thing secured being that the sanction of Parliament shall be obtained for such diversion. No

doubt this is good, as far as it goes, but it is not sufficient, and I would press for an express and absolute statutory provision, giving us a complete guarantee against the misappropriation of our revenues for purposes unconnected with our interests. I therefore beg to suggest that section 55 of the Government of India Act of 1858 be so amended as to provide that, except in case of actual or threatened invasion, the revenues of India shall not be used for military operations beyond the natural frontiers of India, unless, at any rate, a reasonable share of such expenditure is put on the English estimates. I would further suggest that the frontiers of India should be definitely declared by statute and should not be liable to extension without statutory amendment.

Then your proposal would be that these frontiers having been defined, under no circumstances should India contribute towards any operations outside those frontiers unless a part of such expenditure is put on the English estimates. For instance, supposing it was a question of maintaining the independence of the Suez Canal—that is beyond the frontiers of India—I take it your law would not prevent the Government of India from contributing to the operations necessary for that purpose, provided always that the English Government took a share?—It would come to that.

Fifthly, I would urge that the elected members of the Legislative Councils of Madras, Bombay, Bengal, North-Western Provinces, and now Punjab and Burmah, be invested with the power of returning to the Imperial Parliament one member for each province. Six men in a House of 670 would introduce no disturbing factor, while the House would be in a position to ascertain Indian public opinion on the various questions coming up before it in a constitutional manner. I may mention that the small French and Portuguese settlements in India already enjoy a similar privilege. Here, again, I rely more upon the moral effect of the course proposed than upon any actual results likely to be directly achieved. Though only six in number, the Indian members, acting unanimously on any Indian question, would adequately represent the state of Indian public opinion on the subject, and Government would have to take note of that. Indian representatives in Parliament would further greatly strengthen British rule in India by giving the Indian people a tangible and gratifying proof of India being really considered a part and parcel of a great and free empire.

You say truly that six men in a House of 670 would introduce no disturbing factor. Do you contemplate that these Indian members should have full voting powers; in fact, that they should vote our taxes?—Yes, I think so.



You see no objection from that point of view?—I see no objection.

Of course, if you had such members representing Indian interests, it would open the door to more interference on the part of Parliament with Indian affairs?—But these men by themselves would not do anything unless they were able to induce others to share their own views; that means something important, I think.

(*Sir Donald Stewart*) How would you secure unanimity of opinion between the six?—I do not secure it. If they were unanimous on any Indian question, that would mean that public opinion in India was strong upon that point.

(*Mr. Courtney*) Your proposal is that each one of the six should be elected by a separate electorate?—Yes. There are the Legislative Councils in the six provinces already elected by the people; and the members of the Legislative Councils should elect a member each.

(*Mr. Mowbray*) Might those be either people sent from India or people in England?—Any people; I would impose no restriction.

With regard to the Portuguese settlements that you spoke of, are the elected members Portuguese residents in India who are sent over to Portugal?—I do not think there is any restriction; they can send whom they please; they must be men in their confidence, that is all.

(*Mr. Courtney*) The French have representatives of all their colonies in the Legislative Assembly?—The colonies of England are self-governed, therefore they do not want representation in the Imperial Government. We are the only dependency without any representative government, therefore we must be provided for either here or there.

Not quite the only dependency; Ceylon may be much smaller, but Ceylon is a case?—But Ceylon is very nearly a self-governing colony. Ceylon has its Council, which is much more representative than our Council; it is nearly a self-governing colony.

(*Chairman*) Your proposal is not for direct election of those members whom you would send to the Imperial Parliament; they are to be chosen indirectly, as it were, by a college, namely, the members who have been already elected to serve in the Legislative Councils?—Yes, that would be so. The great advantage that we would then secure is this: at present, private members take up the cause of India, but the officials come down upon them, and say, "These are only self-constituted members for India"; these six Indian members will be men who are really representative of India; and, if they are unanimous, that will be of great moral strength to us.

Have you any suggestions that you would like to make with respect to the Viceroy?—Yes, there is one. The last suggestion that I have to make on this subject is that, as far as possible, Indian Viceroys should be selected from among men who have earned a distinct position for themselves for their grasp of intricate problems of finance. Among the first Ministers of England, no greater names can be mentioned than those of Walpole, Pitt, Peel, Disraeli, and Gladstone; and all these men were great Finance Ministers. I know that men in the very front rank of English politics do not care to go to India, but all the same, if men noted for their knowledge of finance were induced to accept the Viceroyalty of India, the arrangement would produce decidedly beneficial results. It would be a great advantage to all if the Viceroy, instead of being his own Minister for Foreign Affairs, were to be his own Finance Minister. At any rate, his immediate connexion with the Foreign Department should cease, the department being placed, like other departments, in charge of a separate member of the Executive Council.

Do you mean by your suggestion that no one should be selected for the post of Viceroy who has not been Chancellor of the Exchequer?—Oh, I do not mean that, because no Chancellor of the Exchequer would care to go to India.

Well, I put the case very broadly in that way, because you said that the persons should be chosen among men who have earned for themselves a distinct position for their grasp of intricate problems of finance; I wanted, therefore, to see the class of men to whom you would restrict the field of choice?—I believe that in the debates in the House of Commons some men specially distinguish themselves in the discussions about finance; or there might be persons who have been connected for a long time with the Financial Department; it is so difficult to say definitely.

What you mean is such a member as the late Mr. Fawcett was?—Oh yes, the late Mr. Fawcett would have done very well.

That is the class of man you mean?—That would be a very proper name.

(*Mr. Courtney*) But there would be no tangible test of qualities in such a man as that?—The test would be that the man would be willing to take the Financial Portfolio when he goes to India, so that, unless he really liked finance, he would not do that.

(*Chairman*) Would not that be open to very much the same objection which, I understand, you advanced against the present practice in which the Viceroy is his own Foreign Secretary? As I

understand your objection, it is that the Viceroy should not be Minister of any special Department, and therefore you object to his being the Foreign Secretary. Might not objection be taken equally well to his being Finance Member?—He should not be Minister of any spending department, that is what I mean; otherwise, he is directly interested in spending.

Might there not be a certain risk in making the Viceroy a specialist in this way?—Important as most of us think finance to be, a man who had only an eye to finance might make in government grievous mistakes, might he not?—Sir Robert Peel and Mr. Gladstone made extremely able Prime Ministers of England, and they were both Chancellor of the Exchequer and Prime Minister at one time; Mr. Gladstone was at one time both Chancellor of the Exchequer and Prime Minister, and so was Sir Robert Peel also.

But the Viceroy, of course, is the head of the executive Government; and objection has been taken here to the Prime Minister taking a particular branch of administration into his own hands, as a question of principle. Sir Robert Peel was only Chancellor of the Exchequer for a few months in 1834; but, of course, you are perfectly justified in quoting his case, as he was Prime Minister and Chancellor of the Exchequer at the same time. Now we come to the subject of provincial finance?—I now come to the very interesting and important subject of Provincial Finance. While gratefully acknowledging that the decentralization policy has done a great deal of good, even as far as it has gone, I think the time has come when an important further step ought to be taken. It is now fifteen years since this policy was carried to the point at which it now stands by the Government of Lord Ripon. The fact that nearly the whole internal administration of the country is in the hands of the Provincial Governments explains why the people of India are so anxious to see the position of Provincial Governments in the matter of finance strengthened much more than it is at present. The expenditure administered by the Provincial Governments is principally devoted to objects which are intimately connected with the well-being of the people, and the larger, therefore, this expenditure, the better for them. The chief defects of the existing arrangements are the following: The "so-called Provincial Contracts," to use Sir James Westland's expression, are really only one-sided arrangements practically forced on the weak Provincial Governments by the Government of India, which is all-powerful in the matter. The contracting parties not being on a footing of equality, the Government of India virtually gives the Provincial Governments such terms as secure the maximum advantage to itself; and the power which it possesses of

disturbing the contracts even during the period of their currency leaves the Provincial Governments in a state of helplessness and insecurity, and all this is very prejudicial to the interests of the internal administration of the country. A reference to the tables, given on pages 47 and 48 of the Appendix to Section I of the evidence recorded by this Commission, will at once show how at each successive revision the Government of India, while keeping to itself all the growth of revenue which had accrued to it as its share of the normal expansion, has, in addition, resumed a large portion of the share of growth that had accrued to the Provincial Governments, compelling them thereby to cut down their expenditure in the first year or two of each new contract. Thus, taking Bombay as an illustration, we find that in 1886-7, the last year of the contract of 1882, its expenditure was Rs. 3,998,912. This expenditure had, however, to be reduced to Rs. 3,814,500 in 1887-8, the first year of the next contract, and it was not till 1891-2 that the level of 1886-87 was again reached, when, at the next revision, it was again put back. The same was the case with almost every other province. How sore is the feeling of Provincial Governments on this subject may best be seen from the following remarks, which the Lieutenant-Governor of Bengal thought it his duty to make on the matter in the Supreme Legislative Council last year :

I must say I deprecate the way in which these quinquennial revisions have too frequently been carried out. The provincial sheep is summarily thrown on its back, close clipped and shorn of its wool, and turned out to shiver till its fleece grows again. The normal history of a provincial contract is this—two years of screwing and saving and postponement of work, two years of resumed energy on a normal scale, and one year of dissipation of balances, in the fear that, if not spent, they will be annexed by the Supreme Government, directly or indirectly, at the time of revision. Now all this is wrong, not to say, demoralizing. I say the Supreme Government ought not to shear too closely each quinquennium. It is as much interested in the continuity of work as the Provincial Governments, and ought to endeavour to secure this and avoid extreme *bouleversements* of the provincial finances . . . It would be an immense gain to local administrations if the Government of India could see its way to renewing the contracts with as little change as practicable on each occasion. It is only in this way that the element of fiscal certainty, which was put forward in 1870 as one of the main objects of decentralization, can be secured. Hitherto we have had but little of certainty.

A similar protest was made last year by the Lieutenant-Governor of the North-West Provinces from his place in the Legislative Council of that Province; and this year the Government of Madras has addressed a very strong remonstrance against the surrender of an additional 24 lakhs of rupees a year demanded by the Supreme Government.

You say that the Supreme Government is in a position to secure on revision of the contract the maximum advantage to itself, and you have given us the instance of Bombay; but could you give us any general figures on the point?—Yes, I have taken out figures in connexion with the progress of expenditure.

Could you make use of them to explain your view to us?—The present contracts are on the basis on which they were made by Lord Ripon's Government in 1882-3. Since then there have been two more revisions. It is interesting to note how the growth of net expenditure has been divided between Imperial and Provincial since 1882, when provincial finance was placed on its present basis. Putting together Tables 1 and 21 of Sir H. Waterfield, we have the following result:

Year	Total Net.	Provincial Net.	Imperial Net.
	In crores of rupees.	In crores of rupees.	In crores of rupees.
1882-83	41.79	10.98	30.81
1883-84	41.66	10.83	30.83
1884-85	41.90	11.62	30.28
1885-86	45.43	12.27	33.16
1886-87	44.55	12.12	32.43
1887-88	47.37	12.35	35.02
1888-89	46.44	12.52	33.92
1889-90	47.34	13.10	34.24
1890-91	45.66	12.64	33.02
1891-92	49.50	13.60	35.90
1892-93	52.43	13.40	39.03
1893-94	51.87	13.33	38.54
1894-95	52.74	13.13	39.61
Increases in 1894-95 over 1882-83	10.95	2.15	8.80

You might give us three years (not to give us the whole mass of figures), 1882-3, 1889-90, and 1894-5; I think that that would exemplify your contention?—I would put it in this way: 1886-7 was the last year of Lord Ripon's provincial contract; the provincial expenditure in that year amounted to Rx. 12.12, and this expenditure was 13.13 in 1894-5. There has been altogether an increase in those thirteen years of Rx. 2,000,000; out of that more than one-half was in the first four years.

You say the provincial net expenditure was 12.12, and in the last year 13.13?—Yes, therefore it is less than one million, but the total is 2.15.

From the beginning?—Therefore, I mean that during the first four years the increase was more than one half of the total increase.

Let us put it in this way; in your first year 1882-83, the provincial net expenditure was 10·98, that is very nearly Rs. 11,000,000, is it not?—Yes.

In 1894-5 it was 13·13?—Yes.

Showing a difference upon that whole period of 2·15?—Yes.

But now I want you to show the effect of these new contracts by showing what has happened to the Imperial Government?—Yes. If your Lordship will allow me, I will read five or six lines I have written in explanation of this table: It will be seen that, while the expenditure of the internal administration of the country has been allowed to increase in thirteen years by only a little over two crores, the expenditure administered by the Government of India has increased during the time by nearly 9 crores. It may also be added that, during the three years of Lord Ripon's viceroyalty which belong to this period, the net Imperial expenditure was not only not increasing but actually showed a tendency to decrease. On the other hand, more than half the increase in provincial expenditure took place in the first four years, *i.e.* during the currency of the provincial contracts made by Lord Ripon's Government. Your Lordship will see that the provincial expenditure for 1885-6 is 12·27; the next year it is 12·12 and then your Lordship might come to 1891-2, when it is 13·60, then there is 13·40 again; it is put back at each revision, while the Imperial expenditure, on the other hand, has been going higher up.

You point out that over the whole period the provincial expenditure has risen by 2·15 on about 11?—Yes.

While the Imperial net expenditure has risen by very nearly 9 on 30. Is the difference in percentage between those two very great?—Well, I fear it is not quite right to put it in that way.

In rough figures the Imperial expenditure is a little more than three to one of the provincial?—Yes, at the starting.

Multiply 2·15 by 3 and you would be getting on for 7?—6·45.

While the increase in the Imperial was very nearly 9?—Yes, nearly 9.

Therefore you see by those figures that the Imperial net expenditure has increased at a greater rate than the provincial net expenditure?—Yes.

Your Imperial net expenditure is on a limited number of services, I suppose, is it not? You exclude debt, do you not?—The debt, of course, belongs to the Government of India; the Provincial Governments have nothing to do with debt.

But how do you make up your Rx. 30,000,000? What services make up the 30·81 in 1882-3?—Sir Henry Waterfield has given all that in his evidence. You have the Army, for instance, in the first place; then there are certain services which are directly under the Government of India, and there are railways, the deficit on railways; there are some irrigation works also which are still under the direct control of the Government of India; then the home remittances; all these come under the Government of India, whereas the administration of each province is entrusted to the Provincial Government.

But you see the total net expenditure on these services is only, in the last year of your figures, 52·74?—Yes.

And, of course, there is a very large sum beyond that to make up the budget of Indian expenditure. What is the difference, because what you call the Imperial net expenditure does not represent the whole of the expenditure of the Indian empire?—No. I have taken the figures given by Sir Henry Waterfield, 52·74 is given net, but he excludes cost of collection; that is a matter of difference between him and us. Then there are about 25 crores on railway account, that is also eliminated, and then, I think, though the nominal budget is for 96 crores the net budget is practically 52·74, according to Sir Henry Waterfield's way of putting it, or about 60 crores according to our view, including the charges of collection. Excluding the charges of collection, and all those other things, it stands at 52·74.

And those are Sir Henry Waterfield's figures?—Those are Sir Henry Waterfield's figures; I have said that.

Do you out of those figures prove, or consider that you could prove, that the Imperial Government has taken more than its fair share of the increase of these provincial revenues?—Oh, yes, much more than a fair share; if the contracts had continued as they had gone on before, the Imperial share would have been less, because Sir Henry Waterfield himself gives in the Tables 47 and 48 how much was resumed each time from the Provincial Governments by the Imperial Government. I can give all those figures, if your Lordship pleases.

I do not quite see that the Imperial net expenditure proves that, because part of the Imperial net expenditure might have been derived from an increase of the revenues reserved to the Imperial Government?

—No, but the facts are here. I will just read them out to your Lordship; I did not put them separately in, because they are all contained in Sir Henry Waterfield's own statement that so much was resumed each time. Here they are. First contract (1870), gain to Imperial Treasury -33. The second contract, in 1877, gain to Imperial Treasury, Rx. -40 million.

-40 is Rx. 400,000 you may say, putting it very roughly?—It would mean Rx. 400,000 roughly. The third contract was in Lord Ripon's time, 1882-3, when he took nothing from the Provincial Governments. The fourth contract was in Lord Dufferin's time, when the Supreme Government took -64 million Rx. in addition to what was legitimately the increase of the Government of India. In Lord Lansdowne's time, 1892-3, they took again -46 million Rx. from the Provincial Governments. These are apart from the contributions occasionally demanded; they are separate.

And you would hold that each of these percentages is so much taken, in addition to the Imperial Government's share of normal increase, out of that proportion which at first, it was thought, might fairly be given to the Provincial Governments?—Yes, it was that.

And do you make a total out of these?—It would be  $1\frac{1}{2}$  millions, or more accurately, 1,800,000l.; it would be like that—all these revisions.

Rx. 1,800,000?—Yes, altogether.

And that is the sum that you contend the Imperial Government has taken away from the provincial revenue, which would better have been left in the pockets of the Provincial Governments?—Yes, that is what I think. If your Lordship will look at this table given on pages 47 and 48, of Sir Henry Waterfield's published evidence—he gives here the tables of the provincial contracts, the different provincial contracts—it will be seen that in the last year of each provincial contract the expenditure of the Provincial Governments is much larger; the first year of the new contract the expenditure has to be reduced, because the Imperial Government takes away a large portion.

If that extra sum were left in the pockets of the Provincial Governments it would increase by that amount, would it not, this Rx. 13-13 millions which appears against the year 1894-95 in the table?—Yes, it would.

And, if you took that sum off the Imperial net expenditure and added it to the provincial net expenditure, the position would be reversed, and the provincial net expenditure would have increased at a greater rate than the Imperial net?—No, it would not quite come to that.



Just put the figures for yourself?—There is Rx. 13-13 millions.

And adding Rx. 1,800,000?—But Rx. 1,800,000 is from the beginning, from 1870, taking the first contract.

Taking the year 1870?—For the purposes of my table, we must add these last two figures only.

It will quite suffice; you have given us Rx. 1,800,000 as your figure?—That includes also the resumptions of 1870 and 1877, since the first original contract was made. Beginning with 1882-83, there were only two resumptions, one by Lord Dufferin and one by Lord Lansdowne; they come to Rx. 1,100,000 millions, .64 and .46; those are the only two.

That is 1-1?—Yes.

Add it to 13-13 you get 14-23?—14-23.

Take 1-1 off 39-61 and you get 38-51?—38-51.

The comparison would be 14-23 against 38-51?—Yes. Then it would be like this; it would be a little over 3, on the left side, the net provincial (I deduct 10-98 from 14-23); then that would give 3-25 as the provincial increase. On the other side I take away 1-1 from 39-61, that would mean 38-51, and from that I take away 30-81; that leaves 7-70.

Therefore, you see, if that were done, the proportion would be reduced very much?—Well, slightly; not very much.

But it would be reduced?—Yes; but it should be remembered that the levels of the expenditure, the Imperial level and the provincial level, are not based on any proportion; there are certain revenues that go exclusively to the Government of India.

That was why I wanted to draw your attention to this table, because it seemed to me that you could not really compare the two services, the provincial net and the imperial net; different causes were acting upon them?—But, where they actually resume provincial revenues, that constitutes—

Confining yourself to the Rx. 1,800,000, which, in your opinion, ought to have gone to the Provincial Governments; if that had been done, would it not have necessitated increase of taxation in order to meet these Imperial charges?—As your Lordship has brought out in one of the questions recorded in the evidence, when there is a special reserve available, then the expenditure has a tendency to increase; but when Government has to face the unpopularity of imposing extra taxation, it would think twice before it increased expenditure. Mean-

while, if the money had gone to the Provincial Governments, education, police reform, separation of judicial and executive functions, these very necessary reforms would have been carried out.

Carrying out that argument, would you reduce the Imperial revenue to *nil*, in order that the Imperial expenditure might be correspondingly reduced?—Oh, certainly not, but there is ample provision already; they have already secured to them a certain portion of the normal increase.

That is rather an assumption, is it not? Supposing that competent authority—I do not say they are right—thought that this increase of expenditure was necessary, it would have involved increase of taxation?—That only means that we have to say nothing against what the Government of India may do. It comes to that ultimately. I would only say this, that the Provincial Governments are as much interested in the good government of the country as the Imperial Government. They are certainly not irresponsible, as some of us are called—these Governors and Lieutenant-Governors—and when they say, “You should not take so much from us,” that means something.

Did you not say that the heads of Departments did not care for finance, but only cared for the efficiency of their Departments? Does not the same thing apply to the Provincial Governments, and will not their tendency be to look simply to the efficiency of their own Government, with a certain carelessness as to what the Finance Member might in the end have to do in the way of increasing taxation?—All English officers think of the safety of India first, and second to that, they think of the success of their own administration. Besides, this tendency of which your Lordship has spoken in itself does not deserve to be condemned; it depends on what the department is in regard to which it is exercised. If the Provincial Governments want to increase their expenditure, we think that is perfectly legitimate; when the Imperial spending departments, military and others, want to increase their expenditure, we feel we must protest—that is all.

Therefore, if the Judicial Department wanted to increase its expenditure, they must necessarily be extravagant; but if the Provincial Government want to improve a service, that necessarily is economical?—But the Judicial Department is under the provincial Government.

Take an Imperial Service then?—The Army.

The Army is struck off; give me another instance?—The railways.

Whatever is imposed by the Imperial Government by way of increase of expenditure on railways must be extravagant; but whatever is proposed by the Provincial Government must be economical?—I do

not quite say that; but the Provincial Governments deal directly with matters which are properly connected with the enlightenment and progress of the people. And our Indian people's view, at all events, is that we are more interested in Provincial than we are in Imperial expenditure. Of course, this is our criticism of what the Government have been doing; the Government must certainly be able to allege reasons on the other side, else they would not have done it.

But each department is interested in its own efficiency, and has the same tendency to, I will not call it extravagance, but to free expenditure, which perhaps the general finances will not bear; and there is the same tendency on the part of the Provincial Government as there is on the part of the Imperial Government?—That is true; but if the Educational Department, for instance, wanted to increase its expenditure, I would welcome that tendency; if the Military Department wanted to increase its expenditure, I should be very jealous and should protest.

But, on the whole, your plea is one for additional expenditure?—Yes. The Provincial Governments must increase their expenditure very much.

And, in consequence, have additional taxation? You would give this 1,800,000*l.* over to the Provincial Governments to spend?—Yes, I would.

You have got no means of showing that the Imperial net expenditure could be reduced by that sum; would that be possible?—That might be possible.

But you have got no means of showing so? If that is not possible, then the whole expenditure of India would be increased by 1,800,000*l.* Your plea, therefore, in that case would be for an increase of expenditure, and, inasmuch as it is only about in equilibrium at the present moment, that would be a plea for increase of taxation; must not that be the result?—I have faith in the Government's fear to face the unpopularity of increased taxation, and they will reduce their expenditure, I think.

Now will you pass on to some further remarks upon the principle upon which these contracts are based?—I have pointed out one defect of the provincial contracts, namely, that they are one-sided arrangements forced upon the weak Provincial Governments by the powerful Imperial Government. Secondly, there is no fixed or intelligible principle on which these contracts are based, no uniformity in their plan, no equality in the burdens which they impose on the different provinces. The share of Imperial expenditure which the different

while, if the money had gone to the Provincial Governments, education, police reform, separation of judicial and executive functions, these very necessary reforms would have been carried out.

Carrying out that argument, would you reduce the Imperial revenue to *nil*, in order that the Imperial expenditure might be correspondingly reduced?—Oh, certainly not, but there is ample provision already; they have already secured to them a certain portion of the normal increase.

That is rather an assumption, is it not? Supposing that competent authority—I do not say they are right—thought that this increase of expenditure was necessary, it would have involved increase of taxation?—That only means that we have to say nothing against what the Government of India may do. It comes to that ultimately. I would only say this, that the Provincial Governments are as much interested in the good government of the country as the Imperial Government. They are certainly not irresponsible, as some of us are called—these Governors and Lieutenant-Governors—and when they say, “You should not take so much from us,” that means something.

Did you not say that the heads of Departments did not care for finance, but only cared for the efficiency of their Departments? Does not the same thing apply to the Provincial Governments, and will not their tendency be to look simply to the efficiency of their own Government, with a certain carelessness as to what the Finance Member might in the end have to do in the way of increasing taxation?—All English officers think of the safety of India first, and second to that, they think of the success of their own administration. Besides, this tendency of which your Lordship has spoken in itself does not deserve to be condemned; it depends on what the department is in regard to which it is exercised. If the Provincial Governments want to increase their expenditure, we think that is perfectly legitimate; when the Imperial spending departments, military and others, want to increase their expenditure, we feel we must protest—that is all.

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was taken as the basis on which the contracts were made, and the inequalities that then existed were, so to say, stereotyped. I think it is high time that an effort should be made gradually to rectify these inequalities.

Then your criticism in this matter is, not so much that there should be one uniform percentage levied on the provinces, as that the present division is a purely arbitrary one; that it is not based upon the ascertained requirements of the provinces, or their claims upon the central Government for special consideration, but that it is a hand-to-mouth arrangement, based upon a state of things which existed before the new provincial system was introduced?—That is so, and also this, that the burdens ought to be more fairly distributed. It is very hard on certain provinces—for instance, Madras is very hardly treated; we are better off in Bombay, but the North-West Provinces are very badly treated also. And there is another point, Government has now added Burma. This new province required a large outlay to begin with; that burden has to be shared by all the other provinces without any principle, so, if there was any limit like that, the burden would be thrown equally upon all.

The proportion of revenue surrendered by Burma to the Supreme Government was rather a high one—58 per cent.—That was Lower Burma. This was written in 1886 by Sir James Westland when he had the accounts of 1884 before him; Upper Burma was not annexed at that time.

But even at that time is it not the case that Lower Burma was an expensive province to the Imperial Government?—Lower Burma was not.

Not at that time?—And there is another peculiarity. Burma is very thinly populated, so that the number of rupees contributed per 100 of population is 312; and, if your Lordship will look at the proportion of revenue surrendered by Burma, it will be found to be 58 per cent., or more than one-half.

That is the figure I have before me. Your contention would be, therefore, that the contribution required by the Imperial Government was excessive in Burma?—Yes, in Lower Burma; I am not referring to Upper Burma, which was annexed in 1886.

Now, I quite understand. Now, take another of these provinces, and perhaps you would apply the same reasoning to that—any one you like?—Say the North-West Provinces. They are called upon to contribute 76 per cent. of the revenue to the Imperial Government, and Bengal is called upon to contribute 68 per cent.

provinces have to bear is not determined by any tests of population or revenue. A calculation, made by Sir James Westland and printed on page 400 of the second volume of the Finance Committee's report gives the following results :

The proportions or percentages of revenue surrendered by each province to the Supreme Government are as follows :

			Per cent
India Districts ( General )	...	...	26
Central Provinces	...	...	56
Burma	...	...	53
Assam	...	...	51
Bengal	...	...	68
North-West Provinces	...	...	76
Punjab	...	...	45
Madras	...	...	52
Bombay	...	...	46

The contribution of each province per 100 of the population is as follows :

Province				Rupces contributed per 100 of Population
Central Provinces	...	...	...	71
Burma	...	...	...	312
Assam	...	...	...	97
Bengal	...	...	...	107
North-West Provinces	...	...	...	177
Punjab	...	...	...	82
Madras	...	...	...	123
Bombay	...	...	...	155

These figures are sufficient to show the totally arbitrary character of the present contracts. The fact is that these inequalities are a legacy from the pre-decentralization period, when the expenditure of the different provinces was determined, as men like Sir Charles Trevelyan, Sir John Strachey, General Chesney and others have put it, not by the resources or requirements of those provinces, but by the attention that their Governments succeeded in securing from the Central Government, *i.e.*, by the clamour that they made. And when the first step was taken in 1870 in the matter of decentralization, the level of expenditure that had been reached in the different Provinces

between Provincial and Imperial, subject to the condition that if the Imperial exigencies ever required a larger share, the Imperial share should be increased. Taking the accounts of 1884-85, Sir Charles Elliott and the other members thus illustrated the working of their scheme: They proposed that opium, salt, customs, tributes, post office, telegraph, mint, interest on debt, superannuation receipts and charges, the East Indian, Eastern Bengal, Guaranteed and Southern Maratta Railways, Military Works, Army, exchange and home charges, should be wholly Imperial, and that the Government of India should also bear the charges and receive the revenues of the Imperial districts, i.e., the parts of India which are not included in the provinces. On the other hand, they proposed that land revenue, stamps, excise, assessed taxes, forests, registration, and the civil departments should be wholly Provincial, such heads as stationery, printing, miscellaneous, and railways, canals, and other public works as were already Provincial, continuing to remain so. The accounts of 1884-85, excluding Provincial rates, were as follows :

		( In Thousands of Rupees or Hundreds of Rx. )		
		Imperial	Provincial	Total
Revenue	...	503,569	175,537	679,106
Expenditure	...	505,066	174,854	679,920

These accounts, on the basis of readjustment suggested above, would have stood thus :

		( In Thousands of Rupees or Hundreds of Rx. )		
		Revenue	Expenditure	Surplus or Deficit
Imperial	...	326,799	505,365	-178,566
Provincial	...	354,307	176,559	177,748

Your Lordship will notice that Rx. 35,000,000 is the revenue at the disposal of the Provincial Governments, out of which Rx. 17,000,000 they spend for themselves, and the rest they hand over to the Imperial Government. This means that on the basis of division proposed, the provinces would have to pay about 17½ crores, i.e., about 50 per cent.

Now, has the Imperial Government to contribute very largely in return to the North West Provinces?—I do not think so. They do not contribute to any of the provinces.

And you base upon that your contention that the rate of contribution is entirely arbitrary in each case?—That is what I say. It is, moreover, the official view itself. Sir James Westland, who is now Finance Member, himself constructed these tables.

But you are not in any way arguing for a rigid 50 per cent. to be levied, we will say, from all the provinces?—That should be the ideal that we should keep before ourselves, and it should be gradually reached; that is what I mean. I will explain how that could be reached afterwards; in fact, Sir Charles Elliott's proposals aim at that.

Perhaps you will proceed?—The third defect of the existing scheme is that, while it operates as a check on the growth of provincial expenditure, it imposes no similar restraint upon the spending propensities of the Government of India. The only way in which these defects could be remedied was clearly pointed out by four members of Lord Dufferin's Finance Committee. They were the President, Sir Charles Elliott, late Lieutenant-Governor of Bengal, Sir W. W. Hunter, Mr. Justice Cunningham, and Mr. Justice Ranade. In a note which they submitted to the Government of India on the subject, they made the following four proposals, and urged that their adoption would be attended by very beneficial results: (1) That there be no divided departments, but that those departments of receipts and expenditure which are now wholly or almost wholly Imperial, or which it may be found convenient to make Imperial, should be set on one side for Imperial purposes, and that the receipts and expenditure of the provincialised departments should be entirely provincial. (2) That whatever the sum be by which the Imperial expenditure exceeds the income from those sources of revenue which are not provincialised, that sum should be declared the first charge on the Provincial revenues. So this provides fully for the interests of the Government of India.

But would not the result be very much the same as it is now?—No, it is not so. The scheme, in the first place, secures greater fixity to the Provincial Governments.

Do you propose to show that to us afterwards?—Yes. (3) That the provincial surplus which arises from the excess of receipts over expenditure should be the fund from which, in the first place, all Imperial necessities should be met before any increase can take place in provincial expenditure. (4) And that as regards the future growth of revenue, it should, as far as possible, be divided equally



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And you base upon that your contention that the rate of contribution is entirely arbitrary in each case?—That is what I say. It is, moreover, the official view itself. Sir James Westland, who is now Finance Member, himself constructed these tables.

But you are not in any way arguing for a rigid 50 per cent. to be levied, we will say, from all the provinces?—That should be the ideal that we should keep before ourselves, and it should be gradually reached; that is what I mean. I will explain how that could be reached afterwards; in fact, Sir Charles Elliott's proposals aim at that.

Perhaps you will proceed?—The third defect of the existing scheme is that, while it operates as a check on the growth of provincial expenditure, it imposes no similar restraint upon the spending propensities of the Government of India. The only way in which these defects could be remedied was clearly pointed out by four members of Lord Dufferin's Finance Committee. They were the President, Sir Charles Elliott, late Lieutenant-Governor of Bengal, Sir W. W. Hunter, Mr. Justice Cunningham, and Mr. Justice Ranade. In a note which they submitted to the Government of India on the subject, they made the following four proposals, and urged that their adoption would be attended by very beneficial results: (1) That there be no divided departments, but that those departments of receipts and expenditure which are now wholly or almost wholly Imperial, or which it may be found convenient to make Imperial, should be set on one side for Imperial purposes, and that the receipts and expenditure of the provincialised departments should be entirely provincial. (2) That whatever the sum be by which the Imperial expenditure exceeds the income from those sources of revenue which are not provincialised, that sum should be declared the first charge on the Provincial revenues. So this provides fully for the interests of the Government of India.

But would not the result be very much the same as it is now?—No, it is not so. The scheme, in the first place, secures greater fixity to the Provincial Governments.

Do you propose to show that to us afterwards?—Yes. (3) That the provincial surplus which arises from the excess of receipts over expenditure should be the fund from which, in the first place, all Imperial necessities should be met before any increase can take place in provincial expenditure. (4) And that as regards the future growth of revenue, it should, as far as possible, be divided equally

the latter are called upon in Germany and Switzerland to make special contributions on extraordinary occasions. There is one safeguard which I would add to the foregoing scheme and which, I think, is very important. It is this, that the Government of India should have no power of claiming for itself a higher proportion of the provincial increase than 50 per cent, except in those extreme cases described by Lord Ripon's Government as dire necessities, and that, whenever in the opinion of the Government of India those extreme cases arise, a formal declaration of the grounds on which such opinion is based should be drawn up and sent to the Secretary of State to be placed by him before Parliament. Moreover, the increase should not be allowed without the sanction of the Secretary of State, so that the Provincial Governments, if they wanted to protest against it, would have an opportunity of doing so. I am confident that the Provincial Governments in India will welcome such a settlement of the question. Before concluding this portion of my evidence, I may be permitted to remark that it would have been a matter of general advantage if representatives of Provincial Governments had come here to give evidence on this subject before the Commission.

I have a question to ask you on the proposal you make; but first of all, could you explain what you mean by expressing the wish that representatives of Provincial Governments should come here? Do you mean by that that witnesses from the Bombay and Madras Governments should have been invited to come over to give evidence?—On this particular subject of provincial finance.

Your criticism upon what the Commission have done is that they have restricted themselves to hearing the evidence of people who represent the Central Government?—Yes. I do not criticise what the Commission have done. I only say that it would have been well if the Central Government in India had asked the Provincial Governments to send representatives to give evidence.

I quite understand. You say that, if the suggestion which you have explained to us were carried out, it would remove all irritation at present felt by the Provincial Governments; but do you not think that there would be a certain feeling of irritation in the Provincial Governments if you not only doubled their income—which you would do if you increased it from 17½ millions to 35—but immediately afterwards took part of that away from them to give to the Imperial Government?—I do not think so.

Do you not think that there would be a little irritation?—No, there would be no irritation. They would know, of course, that they have

of the revenues made over to them to the Imperial Government to enable the revenue of the latter to come up to its expenditure. This scheme, if adopted, would have the following advantages over the existing arrangements :

- (a) It would remove all irritation at present felt by the Provincial Governments and secure to them, under ordinary circumstances, half the normal growth of revenues in their provinces, enabling them thereby to make steady efforts towards the progressive improvement of the internal administration of the country.
- (b) It is, of course, not possible to secure *at once* a complete equality in the burdens which the Imperial expenditure imposes upon the different provinces. Provinces that contribute less than half their revenue to the Imperial Exchequer, cannot be suddenly called upon to reduce their own expenditure and pay their full share with a view to reducing the share of those that at present contribute more than half. Existing facts after all must be respected, and the present level of expenditure in the different provinces must be left untouched. But the effect of contributing to the Imperial Exchequer an equal portion of all future increase in revenue ( viz. 50 per cent. ), will be that year by year the relation which the contribution of a province bears to its revenue will tend more and more towards equalization. Thus the provinces which now pay, say, 60 per cent, of their revenue will, after paying only 50 per cent, of their increase for some years, be found to have dropped down to a ratio of 58 to 57 per cent. And similarly in the provinces which pay less than 50 per cent. at present, the ratio will constantly work itself up to 50 per cent. The proposed scheme, while making ample provision for the necessities of the Central Government, imposes at the same time something like a check on its spending propensities. It secures to that Government the entire normal growth of the imperialised items of revenue and also half that of the provincialised items, and leaves to it besides the power to demand more than half in times of sore need. But it is expected that in ordinary years more than half the normal growth of provincial revenues will not be devoted to non-provincial purposes. The adoption of the scheme will place the financial system of India once for all on a sound basis, and bring it more in a line with the federal system of finance in other countries, such as Germany, Switzerland, and even Canada and the United States. In these countries, so far as I have been able to gather, the central and constituent governments have their separate resources, but

present theory is a very defective theory; all the revenues belong to the Government of India; they are only nominally received by the Provincial Governments in trust for the Government of India, and then the Imperial Government hands over to the Provincial Governments so much. Under my scheme there would be a complete division of resources.

Now we will confine ourselves to the advantage of the distinctness of account. We will say that, instead of the Provincial Government levying taxes on behalf of the Imperial Government, they would levy these taxes on their own behalf; but, as soon as they had done that, they would immediately have to give over in this particular year this very large sum to the Imperial Government. It seems to me to leave matters very much where they were before, and up to this point you have provided no check upon the Imperial Government. From what you have told us I think you see your way to providing a check; I think you told us that, as far as the growing revenue was concerned, not more than 50 per cent. was to be taken by the Imperial Government; is that the safeguard upon which you rely against extravagance on the part of the Imperial Government?—One of the safeguards.

What were the others?—The other is that, if the Government of India wanted more, then it must draw up a declaration to come before the Secretary of State, and the declaration must go before Parliament. Of course, necessities must be provided for, but there would be this, that they would not care to submit themselves to all this, unless the occasion were really an urgent one.

But, in the meantime, the expenditure is going on, and the Imperial Government finds it necessary to incur expenditure; how would it incur it, when one-third of its revenue was taken away?—But there are large balances which the Government of India has; surely extraordinary expenditure might be met out of them, and it has powers of borrowing also.

We are told that these balances are only carefully adjusted to the present necessities, and if you made further demands upon it, the Government would have to have bigger balances. When an extraordinary occasion arises, they must draw on their balances?—As a matter of fact, there are no stringent limits about their balances; sometimes they drop down to 12 crores, sometimes they amount to 23, and so on.

It has been put before us by the responsible officers that the balances, as they at present stand, are not, on the average and in the main, excessive for the present needs?—Yes.

to provide for the Imperial Government, as at present, but the great advantage of that scheme would be that 50 per cent. would definitely belong to the Provincial Governments, and 50 per cent. would be all that would be taken away.

You give the analogy of Germany. Have you never heard that in Germany there is a very great deal of irritation felt over what I think they call the *matricular* contribution; the tendency of the Empire is to increase that *matricular* contribution, and—I am only speaking of what I have read—that increase does not tend to make the relations between the subordinate Governments and the Supreme Government more pleasant?—It is very much to be wished that exactly the same state of things should reproduce itself in the Government of India so far as the relations of the Provincial and Supreme Governments are concerned. There would then be some guarantee that there would be some check on the tendencies of the Imperial Government; at present it has things all its own way.

I do not see where the check on the Imperial Government would be, if the Imperial Government at the end of the time said: "We have spent so much, hand it over"?—No, it would not be that; the contract would be there. If at the end of the year they were able to show that some dire necessity had arisen, they would come first of all to the Secretary of State; that is what I have provided. The Provincial Governments would then put forward their views, and the Secretary of State's sanction would be necessary: and the whole matter would ultimately come before Parliament. That is all that can be done at present. I wish more could be done, but it does not seem feasible.

We will say at the present moment that the expenditure of this test year is 50 millions; you take that as the existing expenditure?—Of 1884-5.

I am taking it for that year?—Yes.

And the revenue which the Imperial Government enjoyed in that year was a sum slightly less than that?—Yes.

Under the reform which you have brought before us 17½ millions of those revenues would be taken away from the Imperial Government?—Yes.

But they would be handed over to the Provincial Governments simply to get taken again?—But there would be this advantage, the departments would once for all be classed as Provincial and Imperial, so that the Budgets may be separate, everything may be separate, and there need not be this complication which is inevitable at present. The

(*Mr. Courtney*) Your hope would be that, with this chasm lying before them, they would always pull up in time?—Yes, that is what I mean.

(*Sir James Peile*) But, if they did not meet a deficit out of the balances, they would have to meet it by extra taxation, would they not?—Yes, they have that power also of extra taxation, and I would not touch their power in that respect.

(*Chairman*) But you are only going to allow the Imperial Government, under any circumstances, 50 per cent. of the increase of the proceeds of taxation?—Yes, 50 per cent. of the provincial revenues, in addition to the whole 100 per cent. of its own revenues.

The whole of its own, yes; but only 50 per cent. of the increase of the provincial, and, therefore, to that extent you increase the powers of the Provincial Governments to spend?—Yes

That being the case, it is very probable, is it not, that the Imperial Government would find itself short?—I do not think so. In the year taken by Sir Charles Elliott it required 50 per cent. of the provincial revenues to make up its budget; last year also in the Supreme Legislative Council this same point was pressed by a non-official member, and on that occasion he divided the Budget in the same manner as this. Last year the Budget was, say, 96 millions; out of that 48 were Imperial and 48 Provincial, according to this scheme. Well, out of that 48 the Provincial Governments spent 24, and contributed 24 to the Imperial Treasury, so that the scheme would automatically work like that. The Imperial Budget would be Imperial receipts, plus contribution from the Provincial Governments; the Provincial Budget would be so much revenue, minus so much contribution to the Imperial Government.

What you want really to do is, is it not, to secure to the Provincial Governments of India what you think is a fairly sufficient revenue with which the Imperial Government could not meddle?—That is my object.

And, in order to get that end, you would not mind leaving the Imperial Government to the necessity of imposing extra taxation, which otherwise might be avoided?—Well, they avoid it at present by starving the most useful things; I do not approve of that; they starve education, and all that.

But it is necessary that we should understand whether you do not shrink from extra taxation in order to secure to the Provincial Governments that revenue?—I do not shrink from that, because I know

But, if the Imperial Government, carrying on its expenditure, cannot draw upon the Provincial Governments until the Provincial Governments have made an appeal home, and the Secretary of State has heard both sides and sanctioned the transfer of the sum, it appears to me that the Central Government must have very largely increased balances out of which to provide in the meantime?—But how much does it take at a time from the Provincial Governments? Not much after all, whenever it demands these contributions; it took, for instance, at one time less than a million, and at another time less than a million.

But, in this case, your proposal takes away at once one-third of the revenue of the Imperial Government?—Yes.

(*Mr. Courtney*) That is only, as I understand it, when the arrangement is first made; after you have made your arrangement for allocation of revenues, and your distribution of accruing revenue and surplus, the whole machinery would be automatic?—Yes.

And that is your best guarantee; there would be an automatic revenue received by the provincial administration, and an automatic share given to the Central Government?—Yes, that is what I mean.

And so, if after three or four years a crisis arose in which the Central Government was pinched, it would have to make a solemn declaration of the special circumstances of its situation, which should be forwarded to the Secretary of State, who would then sanction an indent upon the provincial revenues?—Yes, exactly; my case has been very fairly put; that is exactly what I mean. The only thing that I would add to that is, that, whenever the Government of India resumes an additional portion of the surplus of the Provincial Governments, the portion does not come at once; it is only a small dribble at the beginning, but it secures that portion to itself permanently. So it is not of much immediate importance in the case of a real emergency which wants a large expenditure at once. If the emergency was not a pressing one, but if the Government of India wished to increase its expenditure permanently, there would be time for them to go to the Secretary of State and get his sanction.

(*Sir James Peile*) A deficit in the Imperial Budget would always be an emergency such as you would look to?—No, I do not think so.

Why?—They may meet a deficit out of their own resources, out of the balances for the first year; they do not keep the balances at a specified level; there have been many years where they have reduced the balances, and the next year, when they have better revenues, they make them up.

have been to have adopted none of these improvements such as railroads, which most people think tend to develop a country?—Well, I am not quite so sweeping in my assertion. I do not mean that the railways themselves are to be condemned—all the railways—but the manner in which the Government are going in for more and more railways, starving more useful things, is an objection; and this has resulted in the exploitation of our resources by the indigo, tea, coffee, and other planters. The policy of free trade has, moreover, been forced upon us too early, thereby destroying all our important industries that existed before, and throwing all the people on the precarious resource of agriculture.

Do you consider it a great drawback in the development of Indian resources that a great tea trade has been established, which has gone very far to put India in the place that China formerly occupied as supplying England with tea?—So far that would be an advantage, but the profits go to Europeans; and if we were able to accumulate capital the—

But, if this capital had not come from this country, this new industry would not have been developed?—That is so.

It is quite open, at the present moment, to Indians to use their large resources, if there are large resources, in cultivating this tea; but apparently they do not do it?—We have very little capital to invest in these industries.

And, therefore, no improvement would take place and at the present day you would be cultivating as you were 50 or 100 years ago, because you have not got capital. In such a case is it not an advantage to a country to be able to borrow capital, and borrow it cheaply, in another country, in order to help the development of its resources?—But, if I had a vast property myself, I would rather allow that property to remain as it is, with the consciousness that I may make full use of it when I have the means, rather than allow somebody else to come and use it and give me only a pittance, the outsider getting all the rest; it is my property.

I only want to understand your view. You would have had no railways; you would not have had very good roads, I think; and none of these trades would have been developed. Do you think that would have been for the benefit of India?—I did not say that there should have been no railroads at all; but my complaint is about the manner—

I think you say in one part of the paper which you have given me, that you think that at the present moment railroads ought only



that the Government would not care for that unpopularity, and that the taxable resources are nearly exhausted now in India. . .

Now we come to the progress of expenditure, and, perhaps, you would give us your views upon that subject?—Yes. Our expenditure shows a large and continuous growth since the transfer of the Government of India from the Company to the Crown, and recent changes in the frontier policy have accelerated its pace in an alarming manner. Excluding railway receipts, the average expenditure for the five years preceding the Mutiny was about 30 crores. It now stands at over 73 crores, nearly  $2\frac{1}{2}$  times what it was before the Mutiny. Increase of expenditure taken by itself as a feature of national finance, is not necessarily open to any serious objection. Everything depends in this matter on the nature of the purposes for which the increase has been incurred, and the results produced by such outlay of public money. In the United Kingdom, in France, in Italy—in fact, almost everywhere in Europe—there have been large increases in national expenditure during the last 30 years; but the increase in Indian expenditure during this time differs from the increases elsewhere in a most fundamental respect. While increased expenditure in other countries under proper popular control has, so far as we are able to judge, helped to bring increased strength and security to the nations and increased enlightenment and prosperity to the people, our continually growing expenditure has, in our opinion, under autocratic management, defective constitutional control, and the inherent defects of alien domination, only helped to bring about a constantly increasing exploitation of our resources, retarded our material progress, weakened our natural defences, and burdened us with undefined and indefinite financial liabilities.

May I stop you there for a moment and ask you what you mean by "increasing exploitation of our resources has retarded our material progress"?—Yes. What I mean thereby is this. The resources of our Empire are really vast; but the great difficulty in India is about capital, and we are unable at present to take advantage of these resources ourselves, but our hope is that in course of time we might be better able to spend money in that direction, and then we should be able to utilise our resources for ourselves. At present, owing to the vigorous manner in which railways are constructed, and the way in which foreign capitalists are encouraged to invest their money in India, the result is that we get only the wages of labour, while all the profits that are made there are taken out of the country and our resources are being utilised by others.

-- Then you would prefer to have gone without the railways all the time? Your idea of improving the material prosperity of India would

have been to have adopted none of these improvements such as railroads, which most people think tend to develop a country?—Well, I am not quite so sweeping in my assertion. I do not mean that the railways themselves are to be condemned—all the railways—but the manner in which the Government are going in for more and more railways, starving more useful things, is an objection; and this has resulted in the exploitation of our resources by the indigo, tea, coffee, and other planters. The policy of free trade has, moreover, been forced upon us too early, thereby destroying all our important industries that existed before, and throwing all the people on the precarious resource of agriculture.

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I think you say in one part of the paper which you have given me, that you think that at the present moment railroads ought only

to be executed out of surplus revenue; that is to say, that India should make her own railroads?—Yes.

It is another form of saying it?—Yes.

And that principle you would have applied from Lord Dalhousie's time forward?—No, I should not have done that. I think we must be up to the times after all; and the main trunk lines would have been constructed.

Therefore, it is only a question of difference of degree; the main policy was right, and the main policy was a benefit to India, inasmuch as it introduced these improvements which have been adopted by every other country under the sun; and on the whole, you would not have liked India to have been left entirely without a share in these improvements? Your difference of opinion with the Indian Government is that they had been pushed too far?—That is one; and I look at the motive power which sets in motion the whole machinery. No Viceroy goes out to India, but a body of merchants waits upon him in England and says, "You must do something for railroads," and so on; there is a feeling in India that these railroads are mainly undertaken in the interests of the English commercial classes. We have got the main trunk lines; we would rather go without the others.

What I understand is, that the foreign English capital should have made the main trunk lines, and nothing more should have been done, unless out of surplus revenue. I think you have rather minimised the surplus revenue; that amounted to very little, in your opinion, did it not; at the present moment the surplus revenue is not very much?—Yes.

And, therefore, you would be practically putting an end to all railroad expenditure at the present moment?—They might make economies and have a larger margin; if they are really anxious for these railways, they might make economies and have a larger margin, and devote that margin to railways if they please.

(*Sir William Wedderburn*) They need not have expeditions to Chitral?—They might very well dispense with those; that is what we think.

(*Chairman*) This, of course, is a perfectly fair argument to put forward; but it is always accompanied by the argument on the other side that competent people thought these things necessary?—That is so; but in the House of Commons the members who criticise are not military experts themselves, and yet they do not feel themselves debarred from criticising.

Will you tell us how the making of railroads has retarded your material progress because you say "that the increasing exploitation of our resources has retarded our material progress?"—Well, this free trade policy that has been thrust on the country has killed all our industries. No colony has accepted this policy. The result is that our people are growing poorer and poorer, because they are all thrust back on agriculture. Sir James Caird<sup>1</sup>, in his report, says that there are so many idlers now connected with land; I believe half the number would do the agricultural work; and the other half are kept on land because they have nothing else to do; and the result is so much labour is practically idle there, and the old industries that we had are swept away under the competition of steam and machinery; so that has retarded our progress.

Then the opening of fresh trades must have the opposite effect, must it not?—But that is very little; we get only wages there, and everything else goes out.

Quite so; but you speak of the people not having anything else to do except being on the land, the consequence being that too large a population, as I understand, are being employed on the land. Any new trade opened must find larger employment for the people, and, therefore, be beneficial?—Your Lordship should take both parts of my scheme, namely, protection coupled with that. Then, of course, our other industries also would remain; and the result of it would be that our unemployed would find work there. After all, it is the ideas that mould these activities; and our contact with the West has given us the necessary ideas.

I want to keep to the question I was putting to you, namely, there are too many people on the land; opening of fresh trades, and thereby finding fresh employment, must tend to relieve that glut, must it not?—That is true, so far as it goes.

And, therefore, when you get within 50 years an enormous new trade like the making of railways—I think I am right in calling it enormous—there is a tendency in that direction, is there not?—Economically I must admit that it has a tendency in that direction; but I do not approve—

I am only taking that as an instance; and any development of Indian resources, that gives employment to labour, has a tendency to relieve this glut, has it not?—Yes; but those men were already employed before; not these exactly, but those who represented them in the old days.

1. see foot-note 1 on p. 13.

But you have just told us that there are too many on the land now?—Yes, because our industries have been killed by free trade.

And when other industries are opened up, those new industries tend, so far as employment is concerned, to redress the balance?—That is true; but you should never have forced free trade upon us and killed our old industries.

Then your remedy is protection?—Yes. India needs protection very badly; that is my view.

Then it comes to that, that your remedy is protection?—Well, yes; though the evil has already been done.

Is the feeling that protection is necessary universal throughout India?—So far as I know that is the general feeling. We are like the colonies in that respect.

(*Mr. Naoji*) What is the reason they were not able to take up these industries, such as tea or any of these industries, or any of these enterprises which the foreigners came and took possession of; is it not because our capital is carried away from the country?—Yes, that is so.

Is not that at the root of the whole thing?—Yes; it is at the root of the whole thing.

If that were not so, and we were able to preserve what we produce, we should be able to welcome the foreigners to do what they liked, and we should be able to compete on equal grounds with them?—Yes, exactly.

Otherwise, we are reduced to mere labourers, hewers of wood and drawers of water; whereas now, of the profits of all these new improvements and trades and manufactures introduced into the country nothing remains; those profits are all taken away by somebody else?—Yes.

Because we ourselves cannot devote our money or our capital to the subject; is not that so?—That is so; I would give one illustration which would make my meaning clear. It is like a house in which there is only one person, and that is a paralytic, and there are a number of good things in the house. The person himself can take no advantage of those good things; but other people come in, throw a pittance to him and take away all those things; it is almost like that.

(*Chairman*) Take them away! But they buy them?—Well, they say they buy them.

There is a price given for them?—But only a very inadequate price.

Take the case of a railroad; that costs money to make, does it not? — Yes, it does.

That money has been supplied from here? — Yes.

Is not that buying? Is not that a case of buying a portion of the receipts of the railroad back again? If England sends over 500,000*l.* worth of rails which are laid down, for the moment that costs India nothing England buys a certain share of the proceeds of this industrial undertaking by providing these rails; is not that an exchange between the two countries? That is not taking the things out of the Indian's house without paying for them? — I do not say without paying: you throw a pittance to us in the shape of wages; the profits are all taken clean out.

Is it not the case that the whole work has been done, or the great part of it has been done, by goods which Englishmen have bought and sent over? — Yes.

Plant? — Yes.

And in all fairness has not the return been a perfectly fair bargain between the two countries? — But they are our resources; why should English capital alone find its investment there?

But there is nothing to prevent your resources being employed, only you say you have not got them? — The natural resources are our own, the land is our own, everything is our own.

At all events you could subscribe to these railroads and find the capital for them, but you do not? — We have no capital.

As far as I understand, the English Government would be only too glad if you would pour out your accumulated wealth to buy these railroads, but you will not? — There is not much accumulated wealth.

(*Mr. Naoroji*) Is it not the case that we cannot buy them because our capital is taken away by somebody else? — Yes, what would otherwise be our capital.

We have not the capital to pour out, otherwise we would be only too willing to devote it, and leave the foreigners also to come in with their capital? — Yes; if what the nation might have saved in normal circumstances had remained in the country, we might have been much better able to take advantage of those resources.

(*Chairman*) I think we had better pass on? — Compelled to meet the demands of a forward Imperial frontier policy and the exigencies of consequent Imperial defence, and constantly borrowing for commercial enterprises, often undertaken in consequence of the

pressure of English commercial classes, our Indian Government has little money to spare with all its increase of taxation, for purposes of national education. Nor has it been able, amidst constant embarrassments of the military budget, to forego some prospective land revenue by granting the boon of a permanent settlement to provinces ripe, and more than ripe, for the concession under the conditions laid down in Sir Charles Wood's and Sir Stafford Northcote's despatches (1862 and 1867), nor again has it found itself during all these years in a position to carry out pressing administrative reforms like the reforms of the police, and the separation of judicial and executive functions. It is this feature that marks the difference between the growing expenditure of British India and that of other countries, and constitutes our national grievance in respect of the administration of our national expenditure. Whereas the capacity of the country to bear increased burdens is growing perceptibly less, our expenditure, under the existing conditions of administration, is rising higher and higher, necessitating a heavy incidence of taxation, exhausting all our fiscal reserves, and, what is still more alarming, thrusting on our hands expanding responsibilities.

Are you prepared to prove that the capacity of the country to bear increased burdens is growing perceptibly less?—I think so. These famines—this present famine, for instance, and the suffering that it is causing—are good evidence on the point. The people now go down at the first touch of famine.

But when you say that the capacity of the country to bear increased burdens is growing perceptibly less, I think, on the whole, the evidence placed before us has shown that, apart from increase of taxation, revenue has grown. You say that it is perceptibly growing less; but, on the contrary, it is perceptibly growing better?—My view is that the people are growing less prosperous; we perceive it. Men who think with me perceive that the people are growing less and less prosperous.

The outward and visible sign is the capacity to pay the same amount, or a larger amount, of revenue where there has been no difference of taxation. If the produce of taxation increases, it certainly is not a perceptible sign of incapacity of the country to bear increasing burdens?—There is another thing also—increased burdens. I mentioned, and the Government themselves have admitted it in several places, that it is not possible to impose increased taxation on the Indian people. That is one thing; and, secondly, your Lordship might look at the income-tax returns, for instance. For all practical purposes the income is steady, and there is the normal growth of population.

Still we feel that the capacity of the country is growing relatively less.

Will you go on?—Under the Company's Government things were, on the whole, managed with economy, and increase of taxation was, as far as possible, avoided, which is a characteristic feature of our pre-Mutiny finance. The conquest of the country completed, the Company's Government entered, in 1852-53, upon a career of administrative improvement and internal progress, and did much in both directions without increase of public burdens. And during the next five years the fiscal system was reformed, the police was reorganised, the judicial and other establishments were revised with largely extended employment of natives in some of the higher branches, and great activity was shown in regard to public works. Over two crores a year were spent on canals and roads and buildings, and arrangements were made with railway companies for the construction of the main trunk lines of railway communication; and yet the expenditure was under 30 crores. Then came the Mutiny; it was a serious national disaster. It added 47 crores to our National Debt; and our permanent annual expenditure increased at one bound by about 9 crores, the civil charges going up from 11·7 crores to 15·8 crores, the Army from 12·7 crores to 14·9 crores, and interest from 2·9 to 5·5. The cloud of distrust, suspicion, and prejudice, then raised, still hangs over the country and casts its blighting shadow more or less over the whole of our Indian finance. In respect of military expenditure—so, too, in regard to the extended employment of natives in the higher branches of the civil and military services of the Crown—the effects of the Mutiny are still broadly visible. I beg to be allowed to put in two statements here which I think will help the Commission to comprehend at a glance the progressive nature of our expenditure. The first statement gives figures of total expenditure *minus* railway receipts, figures of the exchange charge, and, lastly, figures of total expenditure *minus* railway receipts and exchange for the last 40 years. The second statement divides the period from 1862 to 1895 into three periods—the first from 1862-1870, that of centralised finance; the second from 1871-1881, that of partially decentralised finance; and the third from 1882-1895, that of decentralised finance.\*

I understand these figures to include the revenue so decentralised, do they not? It is the total revenue in each case?—Yes, the total; and the statement gives the salient facts connected with our expenditure during all these years. Both these statements have been prepared from the annual financial statements.

\* see pp. 473-477 above.



The table which you put in is a very interesting one; but of course it is impossible for you to give us these long columns of figures; and I would ask you to look down and give us two or three figures out of it, in support of what you are saying?—Yes. Well, what I meant was that, if these statements are put in as appendices to my evidence (they have been prepared with great care), they will illustrate this point: I say that the periodical averages, without exchange, have been as follows: 1842-3 to 1856-7, 30.8 crores; that was the first level. Then during the four years, which were very disturbed, after the Mutiny, there was an increase of 16 crores, 46.1; that was the average. That level was practically maintained during the next 10 years. From 1862-3 to 1870-1 it was 46.9; from 1871-2 to 1881-2—that was a disturbed period of war and famine—it went up to 53.9. From 1882-3 to 1894-5, which has been a period of expeditions and increase of military expenditure, and so on, the increase, without exchange, has gone up, on an average, from 53.9 to 58.8. With exchange, the figures are much worse; they are 30.8; 46.1; 46.9; 55.8; 65.4.

Now you follow that with six statements?—Two make up each division; there are three divisions, three periods into which I have divided the whole from 1860 to the present. In 1860 our finances were placed on their new basis by Mr. Wilson<sup>1</sup>.

Is this the table, that you call "post-Mutiny period"? — Post-Mutiny period, Division I, from 1862 to 1870-1. I would ask the indulgence of the Commission only for two or three minutes while I point out the most salient points. I would not weary them by reading all these; but I would point out—

Would you point out the object you are aiming at; then, if the tables are put in, we can see in detail how you work it out? — I have tried to point out, first, what have been the elements of uncertainty during each period, and how those elements have gone on increasing until at last they have got to quite a large number now. Then I give a list of the fiscal reserves during each period, and I proceed to show that these are now nearly exhausted. The Government has been drawing not merely upon the old reserves, but upon several other reserves.

Perhaps you would give us what you call the elements of uncertainty?—During the centralised period, the elements of uncertainty

1. *James Wilson* (1805-1860). member, House of Commons (1847-59); joint secretary, Board of Control (1848-52); financial secretary to the Treasury (1853-58); vice-president, Board of Trade (1859); first Finance Member, Viceroy's executive council (Nov. 1859 till his death); reorganised Indian finances; imposed income-tax; created a paper currency; founded the *Economist* (1843).

were War Office demands, about which the Government of India itself has said it did not know what might be thrust upon it; then demands for public works under the pressure of the commercial classes; then, the opium revenue having become uncertain, the fluctuations in the opium revenue; and the railway finance. These were the elements of uncertainty during the first period. The fiscal reserves were balances, taxation, and curtailment of optional expenditure, that is, public works. Now, if your Lordship will turn to the second division, there the elements of uncertainty and the fiscal reserves are mentioned of that period; War Office demands; famine and protective action; public works; commercial demands; opium; and railway finance; they remained as they were. Exchange is added now as another element of uncertainty.

Which table are you on now?—It is the post-Mutiny period 1871-2 to 1881-2, Division 2. Two more elements of uncertainty have been added, in the shape of exchange and exigencies of Imperial policy in Central Asia. The taking of Khiva brought on a change of policy. The fiscal reserves were balances, taxation, curtailment of public works, optional expenditure, and famine grant. That came under the fiscal reserves. Then during the third period, the elements of uncertainty during the period—five of those were the old ones; then exchange, and Imperial policy in Asia, conquests and frontier protectorates; these are the expeditions and other things. They are an additional element of uncertainty. The fiscal reserves were balances, taxation, curtailment of public works, optional expenditure, famine grant, contributions from Provincial Governments, periodical revision of provincial contracts, transfer of public works from revenue to capital, as has been done in the case of strategic railways, and so on.

Then these six tables are really an analysis of the different causes which have affected Indian finance during the time?—Yes; they are an analysis of the financial statements and the appropriation reports of the Government of India for the last 30 years and more; they are intended only to give a clear idea of how our finance is getting more and more embarrassed, showing how the clouds are gathering thicker and thicker.

Now, is there any conclusion, which you would like to put before us, that you have yourself drawn from these tables?—Yes, the conclusion is just this, that the position is becoming worse and worse, and might become hopeless, if not looked after in time. Here are the noteworthy features that I have given. On the left-hand side of each sheet I give the facts, and on the right-side I give the remarks; and in these remarks my opinions are expressed, and if your Lordship will

allow me I will read those remarks — they are nearly the same as I have already explained: (1) Large administrative improvements were required after the Mutiny; (2) Provincial administrations made increasing demands for varied local improvements, not being themselves responsible for funds; (3) Public opinion in England urged measures for material progress (deemed neglected by the East India Company); (4) The commercial interests of England demanded improvements of communications and other public works; (5) The recurrence of famines emphasised the obligation of the State as to protective works; (a) Private enterprise encouraged in all ways; (b) State agency since 1867 employed to co-operate (100 crores in all spent on public works); (6) War Office measures in respect of the British Army imposed a net charge of 450,000*l.* due to amalgamation and unequal partnership; total expenditure rose from 42.9 to 49.3; expanding demands for expenditure, (i) General administrative improvement; (ii) Public Works, productive, ordinary, protective; (iii) Provincial needs; (iv) War Office demands; (ii) and (iv) beyond the control of Government of India; necessity for limitation of expanding demands; in respect of (iii) provincial decentralization carried out, 1870-71. I have brought in here the salient points of the financial system and its working during the first period. During the second period (a) it was an abnormal period of war and famine; (b) English public opinion continued to urge measures of material progress, yet public works expenditure had to be reduced, which fell from 100 crores to 70 crores during the period; (c) The famines and the vast expenditure required led to the formation of a famine insurance fund, yet the fund was diverted to war; (d) Fresh War Office charges amounting to 48 lakhs due to amalgamation came upon the Indian Budget for increase of military efficiency; (e) What disturbed Indian finance most was a change of policy on North-Western frontier. Imperial policy in Central Asia entered upon a new phase with Russia's conquest of Khiva. Afghanistan was given up as a neutral zone, and the Amir was promised material and moral aid against unprovoked foreign aggression, a change of policy which converted Afghanistan virtually into a British frontier protectorate. The line of the Indus was given up as the border line of British India. Indian finance was loaded with cost of schemes of Imperial territorial expansion in Central Asia; and a preponderance came to be given to military considerations in our financial arrangements, and Indian interests were subordinated to the exigencies of Imperial policy; (f) Exchange difficulty increased. Total expenditure increased by 9.7 crores. Expanding demands, (1) General administrative improvement; (2) Public works, pressure of English commercial interests; (3) War Office demands (amalgamation); (4)

Treasury Office demands, Central Asian Imperial policy; (5) Exchange; (2), (3), (4), and (5) all beyond the control of Government of India. In respect of (1) further decentralisation. In the third period (1) the period was a disturbed period of war, panic, and military precautionary measures and territorial annexations, costing us about 70 crores during it; (2) English public opinion pressing for material progress, the commercial interests demanding railway extensions, the local services clamouring for increased pay and pensions, and exchange compensation, the strain on Indian finance was severe; (3) Developments of Imperial policy in Asia involving us in large trans-frontier and other liabilities; Upper Burma and other frontier provinces thrust on our hands for administrative development, which means vast future outlay. India now in touch with the great powers of Asia is necessarily pledged to vast military expenditure. Indian defences weakened. Indian finance at the mercy of military considerations. Indian armies increased; (4) Exchange difficulty enormously increased concurrently with a fall in opium. Grant of exchange compensation allowance. Total expenditure increased by 14.44 crores as against 9.7 and 6.4 of the previous periods. Expanding demands, (1) Public works; (2) War Office demands; (3) Demands of Central Asian policy; (4) Exchange, all beyond the control of the Government of India. Taxation having reached its utmost limits, the enormous growth of expenditure during the period leaves us no fiscal reserve; yet elements of uncertainty and instability of Indian finance have largely grown, and the Government of India is compelled, in the interests of financial solvency, to be able to meet fluctuating and expanding uncontrollable demands, to keep tight its hold on every fiscal resource, limiting the means of the provincial administrations on the one side and reserving its freedom of action in regard to famine grants, productive public works expenditure, and provincial contributions.

We have already dealt with the question of Imperial and Provincial net expenditure; perhaps, therefore, we may pass on now to military expenditure?—Yes, military expenditure. No student or critic of Indian finance will fail to be struck by the position which military charges occupy in the administration of Indian expenditure. It is indeed difficult to enter into a thorough examination of this branch of our expenditure without raising a discussion about certain matters of policy which have been held to be outside the terms of this Commission's reference. My friends, Mr. Morgan Browne and Mr. Wacha, have, however, already placed the views of the Indian people on some aspects of this subject before the Commission, and I have no wish to go over the same ground again. I will, therefore, content myself with a statement of certain additional facts connected with

our military expenditure, leaving the Commission to draw its own conclusions from them.

The strength of the Army in 1894-5 was :

Standing army	...	...	...	...	219,778
British troops	...	...	...	73,119	...
Miscellaneous British officers	...	...	...	921	...
Native troops, including British officers	...	...	...	145,738	...
Native Army Reserve	...	...	...	...	13,862
Volunteers	...	...	...	...	29,089

Total of armed strength on mobilisation... 262,729

A strength even smaller than Japan  
commands and about equal to  
that of Greece.

Its cost in 1894-5 was :

	Rx. millions.
Ordinary expenditure	... 20.0
Military works ( ordinary )	... 1.1
Total ( ordinary )	... 21.1
Special expenditure during the year	... .6
Exchange	... 3.6
	25.4

Ratio of ordinary military expenditure to total expenditure,  
excluding railway receipts, for the year  $\frac{25.4}{73.2}$  = nearly 35 per cent,  
thus comparing with what we have in other countries.

	Millions £
United Kingdom	... $\frac{17.8}{91.3}$ = 19 per cent.
France	... $\frac{25.9}{138.0}$ = 19 "
Italy	... $\frac{9.4}{72.4}$ = 13 "
Japan	... $\frac{2.6}{16.2}$ = 16 "
Greece	... $\frac{.58}{4.2}$ = 13 "

			Millions £
British India	...	...	$\frac{25.4}{73.2} = 35$ per cent.
or omitting exchange	...	...	$\frac{21}{73} = 30$ "
Russia	...	...	$\frac{23.9}{115} = 21$ "

The growth of our military expenditure, excluding all exceptional items, exchange, and even military works, has been as below :

Years.	Average Strength.			Average Expenditure in Millions Rx.
	British.	Native.	Total.	
1837-8 to 1856-7 (20 years).	43,826	222,915	266,741	10.85
1861-2 to 1873-4 (13 years).	62,458	123,881	186,340	15.68
1874-5 to 1880-1 (7 years).	61,884	122,556	184,441	16.17
1881-2 to 1884-5 (4 years).	57,975	119,739	177,714	16.55
1885-6 to 1894-5 (10 years).	70,704	140,682	211,387	18.25
1894-5	74,040	145,738	219,778	20.1

Taking, according to Mr. Kellner's<sup>1</sup> estimate, seven native soldiers as financially equal to three European soldiers, we may summarise the periodical expenditures on our Army thus :

Period.	Total Strength European Standard.	Total Cost in Millions Rx.	Charge per Combatant in Rupees.
1837-8 to 1856-7	139,383	10.85	778
1861-2 to 1873-4	115,550	15.68	1,357
1874-5 to 1880-1	114,408	16.17	1,413
1881-2 to 1884-5	109,291	16.55	1,515
1885-6 to 1894-5	130,996	18.25	1,393
1894-5	140,400	20.1	1,430

1. Military Accountant-General to the Government of India.

What Mr. Kellner is that? Is that the gentleman who was for a long time in the Indian service?—Yes; he gave evidence before the Fawcett Committee.

(*Sir Donald Stewart*) Where did you get those figures, because they do not sound to me to be quite accurate, or nearly accurate, about the strength?—From various sources—"Army Commission's Report," "Army List," "Statistical Abstract"—in fact, it has been a matter of very great labour.

(*Chairman*) How did Sir George Kellner arrive at his equation between the seven native soldiers and the three Europeans?—From his knowledge of the Indian Army; that is all I can say. I am unable to go into that question, because I do not know the details; but his opinion has often been quoted.

(*Sir Donald Stewart*) Do you depend upon this statement that the Army has been increased in the year 1894-5 by 4,000 men?—It is not like that; it is over the average during the 10 years—the average was 70,000 for 10 years. The increase that was contemplated in 1885 was not carried out at once.

In 1884-5 you say it was increased to 74,000?—But in 1893 also it was nearly 74,000.

Is it the average over a series of years?—It is the average for the 10 previous years.

(*Chairman*) But what Sir Donald Stewart means is that you have given 1894-5 alone?—That is shown separately, because that is the present strength.

(*Sir Donald Stewart*) Is that the present strength?—Yes.

Then I think it is wrong?—I am open to correction; but if only a copy of the latest Statistical Abstract is given me, I will point out.

I think about 71,000 is what it ought to be?—I think for 1894-5 I have taken the figures from the Statistical Abstract. During the 20 years preceding the Mutiny, a most eventful period of war and conquest, we had under the Company's rule an armed force about as strong as now, but maintained at nearly half the cost, the charge per combatant being Rs. 775. The Mutiny came, and the transfer of India to the Crown followed; Army amalgamation was carried out, a Staff Corps formed, and other changes in Army organisation effected, and our military expenditure rose at a bound to 14.89 crores from 10.85, the average of the pre-Mutiny period. It has gone on ever since steadily increasing till we come to the present year, when it stands at full 20 crores, exclusive of exchange, the strength being about the

same as before the Mutiny. Now, I make a few observations—(a) Looking to the composition of the Army we have 74,000 British troops to 145,738 native troops, or almost exactly in the proportion of 1 to 2. During the 20 years preceding the Mutiny, the proportion of British to native troops was 1 to 5, and sometimes much lower. The outbreak of 1856 followed; a Royal Commission inquired into the matter in 1859, and in its report submitted the following recommendation to Her Majesty: "As regards the third question, the proportion which European should bear to Native corps in cavalry, infantry, and artillery, respectively, your Majesty's Commissioners are of opinion that the amount of Native force should not, under present circumstances, bear a greater proportion to the European, in cavalry and infantry, than 2 to 1 for Bengal, and 3 to 1 for Madras and Bombay respectively." The proportions thus laid down were recommended in view of the circumstances of the disturbed period, and were not absolute, precluding all future modification as things should change. The present organisation, however, practically rests on that recommendation, the proportion being, as a whole, as 2 to 1, the differential proportion recommended for Bombay and Madras being ignored. Taking the recommendations of the Royal Commission and looking to the local distribution of the armies, we have—

	Native Troops.	British Troops.	Excess of British Troops over the accepted Standard.
Bengal ( $\frac{1}{2}$ ) ...	84,614	46,379	4,072
Madras ( $\frac{1}{2}$ ) ...	32,306	14,195	7,266
Bombay ( $\frac{1}{2}$ ) ...	28,878	13,466	
			11,338

This is the amount of excess British force over the accepted standard which we have in the country, and I submit that there is nothing in the present condition of things to justify such a large departure from the recommendations of the Commission; things admittedly have changed for the better, and with our increasing appreciation of British rule, and growing attachment to Her Majesty's throne, we should have expected the proportions to be modified the other way. As it is, we have on our hands an excess force of more than 11,000 British troops, and taking the cost per European combatant at Rs. 1,430 a year, this excess force burdens our military budget with



a needless  $1\frac{1}{2}$  crores, or more exactly Rx. 1,573,000.  $1\frac{1}{2}$  crores a year is rather too heavy a charge for a poor country to bear unnecessarily.

(*Chairman*) You observe that the report of the Commission, from which you quote, is very nearly 40 years old?—Yes.

Many things happen in 40 years, do they not?—Yes; but the first proposals were made by that Commission; and the Government have always taken their stand on the recommendations of the Commission.

(*Sir James Peile*) Do you know that Lord Ripon said that his Government had most carefully and thoroughly considered the question, and had come to the conclusion that one European soldier to two natives is the right proportion?—That is true: but this was a Royal Commission that investigated the subject.

Lord Ripon's investigation was a great many years after the Commission?—I know, but it was an investigation by the Government of India itself; this was by a Royal Commission.

You could not trust Lord Ripon to take care of the interests of India?—I should not like to say that; that is a very difficult question to answer in that way.

(*Chairman*) Would you not lay any stress upon the inquiry made by the Government of India itself?—I attach more importance to a Royal Commission's inquiry.

(*Sir Donald Stewart*) That was the result of the inquiry of a commission of Indian officials?—Yes, the Army Commission of 1879; in fact the Secretary of State and the Government of India have all along been assuming in their despatches that the proportion should be one to two; but the original recommendation on which the whole thing was based is what I have given, and I only wanted to bring it out; that is all.

(*Chairman*) Will you go on?—The strength of our existing army is further in excess of the military needs of the country, as laid down by the Army Commission of 1879, by the recent increase of 30,000 troops. That Commission even contemplated, among other things, in framing their estimate of our requirements, "the contingency of operations beyond the frontier, not merely against Russia, with Afghanistan as our ally, but against Russia assisted by Afghanistan," and as Mr. Ilbert and Sir A. Colvin in their dissent point out, no circumstances have arisen which necessitated these augmentations.

But again, the existing organization of our army is so faulty that it imposes a needlessly grievous burden on the Indian Exchequer. Our army is always practically on a war footing; we have no peace esta-

blishment proper ; and the strength we could mobilize in an emergency is—including volunteers and reserves—not more than 252,719 men all told. And it is for such meagre armed strength that we have to spend under the present vicious system 25 crores and more a year. While most countries in Europe have adopted short service and the system of reserves, a system which gives them a maximum of combatant strength at a minimum of cost, India alone has to keep up her armies on a war footing even in time of peace and has to pay a heavy penalty, getting no commensurate return for the money she spends. In these days the armed strength of a nation is measured, as stated by Lord Wolseley, not by the number of men under arms in its standing army, but by the total number of trained soldiers it could put together for active service when needed, service with the colours being but a course of training for the recruits much more than active preparedness for war, and in an emergency the reserves being relied upon as the first line of national defence. While the United Kingdom spends about 18 millions on her army, and has a total armed strength of 588,785 men ; France spends about 26 millions, and has an active army of 572,102 with reserves numbering 1,778,000, or a total of 2,350,000 ; Germany spends 27 millions, and maintains an active army of 562,014, and can mobilize in time of war with her splendid reserves a total force of 3,000,000 ; even Japan, an oriental country which has so successfully copied the European system, spends 2½ millions on her armies, keeping up a standing force of 37,719, and is able to mobilize a force of 269,748 ; British India, though she spends even more than the United Kingdom itself on her armies ( 25 crores ), has but a standing force of 219,778, and with the reserves and volunteers, of 252,729 to show, a strength even smaller than that of Japan, and scarcely one-tenth of Germany.

England adopted short service in 1871-2, but did not extend the benefit to the Native Army. How wasteful our existing system is may be more clearly seen when we find that we have had to add three crores to our military budget to increase our armed force by 30,000 troops.

Taking the two component parts of the Indian Army :

( a ) British Troops.

( 1 ) Here we pay for short service, but the advantage of the system goes all to England. The peculiar merit of the system is that it gives a large reserve. Our English reserve is in England, and is not always available to us. Hence the British troops in India are all placed on a war footing.

In respect of the recent increase, the argument strongly urged was that we could not always depend on England for reinforcements,

possibly least when we should need them most. Though the Indian revenues contribute so largely to the maintenance of the army reserve in England, we could not count upon getting the British troops augmented in India when we should have to take the field on a large scale. Meanwhile we have to bear the disadvantage of heavier transport charges, due to short service.

(2) We have yet the peculiar disadvantage of short service, a paucity of seasoned soldiers in the standing force. Lord Wolseley has told us that men of under 2 or 2½ years' service are seldom sent on active service, and whenever mobilization takes place for field service in European countries, it is the reserves that are largely drawn upon. As we have no reserve in India, we pay for a force which is not all available for field duty.

### (b) The Native Army

Our Native Army, though theoretically a long-service army, is practically in the main a short-service one. Under the regulations a man can claim his discharge after three years' service, and it is calculated that as many as 80,000 trained native soldiers return to their homes in 10 years' time. The Army Commission of 1879 proposed the formation of reserves in order to retain a portion of these 80,000 men bound to the obligations of service, and also in the hope that the reserves so formed in time of peace might "enable the Government to reduce the peace strength of the native Army," and expressed their view that such a restricted reserve system could cause no political danger to the country. The proposed reserves were calculated to absorb 58,200 men out of the 80,000 retiring from the army every 10 years.

The formation of such reserves to the Native Army was decided on in 1835-6, and Lord Dufferin's Government proposed, when Sir Donald Stewart was Commander-in-Chief, to begin with two kinds of reserves, regimental and territorial, of which the latter system was evidently the more suitable of the two, and could have succeeded better. But the Secretary of State vetoed the proposal as far as it related to the formation of territorial reserves, apprehensive of political and military dangers of such a step, and sanctioned only regimental reserves. Accordingly, we have now the feeble and straggling reserve that there is, numbering about 14,000.

Of course, as far as it goes, it is a step in the right direction, however halting, and a strong effort ought to be made to organise on a sound basis a large effective reserve to the Native Army, so as to permit of reduction in its strength, which, while increasing the total armed strength of the country, would bring material relief to the

finances of the country. The wasteful costliness of the existing system is obvious.

We next come to the *Officering* of the Native Army.

Before the Mutiny, there were two classes of Native regiments, "regular and irregular." In the regular regiments the nominal staff of British officers was 25 strong, of whom about 12 were actually present, the rest employed in civil and other departments. In the irregular regiments, there were only three British Officers, the rest of the staff being entirely Native. When the armies were reconstructed, after the Mutiny, in 1861, the irregular system was adopted throughout the Native Army, first in Bengal and later in Madras and Bombay, with the change that the number of British officers per regiment was increased from three to seven. In 1874-5, the strength of English officers was increased by the addition of two probationers to each corps. In 1882-3, one more officer was added to the cadre; so that we have now eight British officers in each regiment, ousting the Native officers virtually from the entire field of higher regimental command. Before the Mutiny, and in the irregular regiments, the British officers commanded wings and squadrons, leaving the command of the troops and companies on the field to Native officers. Since the transfer and reconstruction of the armies, the field of employment for Native officers has steadily contracted, and they have not now even the command of troops and companies, and hold a lower status in the army. In their place a costly European agency has been put in, thereby imposing a great burden on the finances. My impression is that under Russia the native races in Central Asia have far more honourable military careers open to them, and the comparison must fill all friends of British rule in India with regret. The late General Chesney, who generally was not with us on Indian questions, has protested against this state of things in most eloquent terms, and I beg to be allowed to read a brief extract from his "Indian Polity":

In the cavalry the position of the Native officer has even gone back, for whereas formerly he could rise to the command of a squadron, the squadrons are now commanded by British officers, the most junior of whom takes precedence over the oldest Native officer. So far then as the Army is concerned, the Queen's Proclamation on assuming the direct government of India is a dead letter. The proclamation declares that 'Our subjects, of whatever race or creed, shall be freely and impartially admitted to office in Our service, the duties of which they may be qualified by their education, ability, and integrity, duly to discharge.' To a very large number of a most important class of Indian gentlemen, descended in many cases from ancestors who held high military office under former rulers, the only palatable, and, indeed, the only form of public service practical and possible for them is the military, and that is closed to them. While this is the case, it cannot be said that the promise held out in the proclamation is fully acted upon. It may be

replied, indeed, that the class in question is excluded from service by the condition of fitness laid down, by reason, that is, of their defective education. And certainly, in regard to a service the routine business of which is conducted in the English language, this contention may be held to be good, if the proclamation is read in a literal sense, without regard to the spirit which animates it. Some very gallant and distinguished Native officers, among them hereditary chiefs who have brought their clansmen by the hundred to join our standards, men who closely resemble in many respects the chiefs of the Highland clans 150 years ago, have been unable to read or write in any language; yet men labouring under the same deficiency have carved out kingdoms for themselves. A man of this sort, a thorough gentleman in manner and feeling, if illiterate, with all the pride and bearing of birth and high family tradition, leading his own kinsmen like the Highland chief of old, will by his own chivalrous example show his men the way to victory, and that after all is what has to be aimed at in choosing officers (pp. 263-269)

It may be, indeed has been, said that the change of policy, here advocated would be dangerous; that men of rank and influence raised to high military position might take advantage of the position; that the mutiny might have had a very different ending if there had been men of rank and ability in the army to take advantage of the opportunity. Plain speaking is here the best. Nothing will be concealed by silence, for this defect in our military system is so prominent as to be the subject of constant comment. The studious exclusion of Indians from all but the humblest places in our army is so conspicuous, that only one inference can be placed upon it, that we are afraid to trust them, and the danger from one point of view may be freely admitted. The Indian people are not held to us by any feelings of attachment. When in almost every country of Europe men are found plotting against their fellow countrymen, with the experience of Ireland before us, it would be absurd to expect that loyalty in India should take a higher form than expediency, the recognition that our rule is the best available at present, and that it is too firmly established to be attacked without risk. But apart from any question of justice or good faith, it is surely safer as a matter of policy to have men of talent and ambition with you, their interests enlisted in our system as offering possibilities of high advancement, than that their only chance of escape from a life of obscurity and inaction should be felt to lie in subversion of our rule and the anarchy attendant on such a revolution. There can be little room for doubt on which side the choice should be taken, for much time has already been lost before entering on the course indicated by policy as well as good faith. Meanwhile contrasts not to our advantage are publicly made between the Russian system, its ready assimilation of the races brought under its influence, the utilisation of ability which might otherwise be dangerous, and our hard and fast representative system. And when the step forward is taken in the right direction, it will be satisfactory to consider that while the Army necessarily contains the elements of danger inherent in every body formed under such conditions, it has been rendered of late years a much safer as well as a more efficient weapon. No one class has been disproportionately increased in strength, while for the indiscriminate infusion of class and caste, the separate class and caste system has been largely substituted. For precaution, the Army must be held to its duty by liberal terms and strict discipline; a still more effectual precaution would be that indicated by considerations of justice and policy, that the military classes, equally with all other classes, should feel that to them a career suitable to their tastes and aspirations is open, bounded only by their capacity to take advantage of it, that service under the Queen may offer more than can be hoped for by any other way (pp. 270-271).

On what occasion did he say that?—This is a work on Indian Policy, and that quotation is from chapter 16.

(*Sir Donald Stewart*) Which edition is that? — 1894.

Even in the lower positions the number of Native officers has sensibly fallen off during the past 20 years. In 1876-7 the number of these officers was 2,812; in 1895-6 it is 2,759 — a decrease of 53 officers, though the strength of the Army has risen during the period from 120,672 to 141,257 (*i.e.*, 20,000). On the other hand the number of British officers shows an increase of 149 officers (from 1,431 to 1,580)

Lastly we come to a feature of the existing army organisation, the most wasteful of all.

The Indian Staff Corps is a corps of officers intended for the Native Army as well as for civil employ in the political, police, survey, and other departments, and in the frontier and non-regulation provinces.

When the amalgamation was carried out in 1861, there was a complete change in the system of officering the Native Army. The old supply from the British regiments was stopped, and a staff corps was established in each presidency for the purpose. All officers of the Army except those who declined were transferred to the new corps. The promotion in the new corps was entirely by length of service, not by succession to a vacancy, so that lieutenants became captains, and captains, majors, and so on, though the promotions were not needed for the work of the army. The system is still in force, which is as under :

Ensigns on transfer to the corps to become lieutenants.

Lieutenants after 11 years' service to be captains.

After 20 years' service to be majors.

And after 26 years' service to be lieutenant-colonels.

Further privileges were in 1866 conceded to the staff corps. Previous to that year a certain number of lieutenant-colonels succeeded, on vacancies occurring, to colonel's allowances. These carried with them an extra pension of 66½. a year. In 1866 the Secretary of State allowed all officers then in the staff corps and all who might join, to succeed to colonel's allowances after 12 years' service in the grade of lieutenant-colonel, without reference to any fixed establishment of colonels with colonel's allowances. Thus every officer could in future rely on getting colonel's allowances if he lived and clung to the service till he had served 38 years. The general result of this extraordinary system of promotions and pensions has been that the

upper ranks of the service are filled with officers for whom there is no work.

The colonel's allowances previous to 1866 were granted only to a certain number on ground of special merit, at the rate of one to 30 officers. Since then it has been indiscriminately allowed to all, and we have now 501 officers in receipt of colonel's allowances on a staff corps of 2,826 strong, *i.e.*, more than one in six officers.

The grant of such allowances is now placed under new conditions, but the heavy burden on the Exchequer due to the measures of the past, taken in the interest of the officers, grows heavier every year. The old system of promotion is still in force; regulated not in accordance with the needs of the services but in the interests of the officers, as if the army was for the officers and not the officers for the army.

The whole question regarding the constitution, terms of service, rates of pay and pension in regard to this costly and privileged corps requires to be carefully examined. As it is, the whole system rests on an unsound basis, the corps is over numerous and drawing privileged rates of pay and pension, inflicting a heavy burden on the national exchequer.

( *Sir Donald Stewart* ) I presume that you are aware that this system, which you condemn and which probably most people condemn, is coming to an end? — It is coming to an end, but the burdens are still there.

( *Chairman* ) I think that brings us to the services?—Yes.

I think we will begin tomorrow with those?—Yes; the remaining portion will not take us long, I think.

The witness withdrew.

( Adjourned till tomorrow at 11 a. m. )

*Tuesday, April 13th, 1897.*

( *Sir James Peile* ) I gather that you hold the doctrine held by Mr. Naoroji and Mr. Wacha of the increasing poverty of India? — I do.

Now your indictment of the Government depends entirely on the truth of that doctrine?—The truth of what?

Of that doctrine that India is falling into deeper poverty? — I have not gone into that question in detail, because that does not come within the terms of the reference. Only in one place have I incidentally referred to it.

Still, if you give it as a state of India which justifies an indictment of the Government, you ought to be prepared to support the doctrine by proof. In fact, you did so, because, I think you were asked on what you rested that opinion, and you said the condition of the people in famine. Would you please repeat what you said about what happens to the people in famine?—I said that, at the first touch of famine the people suffered in large numbers, and that was a sign that the people were not in a position to bear burdens that were put upon them.

By "the people" do you mean the whole people or the agricultural people?—Well, in regard to famine, those who suffer from famine—the large bulk of the population. Petty traders and artisans also come under the same category, but agriculturalists mainly, of course.

Have you studied the course of prices of agricultural produce in India within the present century?—I have given some attention to that, but I cannot say that I have studied the question.

You know, of course, that in the first 20 years of the century there was the wildest disorder prevalent in India. Large tracts were laid waste by fire and sword, villages burnt and people outraged and murdered?—Yes.

After that, order was introduced, and up to about 1850, the prices of agricultural produce fell; do you agree?—I have read such descriptions.

Of course, the reasons of that are very obvious. The cultivation extended very rapidly in conditions of peace; produce was very largely grown; there were no railways, so that it could not be carried about easily, and, of course, the value of it fell so that it scarcely fetched any price at all. After about 1850, during the administration of Lord Dalhousie, came the time of the introduction of railways. From between 1850 and 1860 onwards they were very rapidly constructed; the result of that has been that the values of agricultural produce have risen enormously, is it not so?—In some places they have risen; the tendency has been towards greater equalisation, I think.

No, not merely that. I think I can show you that it is not so. We have periodical revisions of the land revenue assessment, in which the data are the price of produce at the time of the previous settlement before 1850, and the prices at the revision. It is very frequently found that the prices of agricultural produce have risen 100 per cent., or even more, in the markets of the small country towns; and, if you take the settlements of that period, the old settlement before 1850 and



the new settlement after, that is invariably the case. Of course, if the settlement to which you are looking back, took place after the railways were introduced, it is probable that there has not been, at any rate, a great rise in prices between that first settlement and the second. Well, the value of the produce exported from, or moved in, the country after the introduction of railways increased enormously. We have also data of the importation of precious metals. I took from the "Statist" a table drawn up by the Bank of Bengal, which gave for 33 years up to March 1892 the amount of bullion imported and kept by India. It was 230½ millions sterling in silver and 126 millions of gold; 356½ millions in the aggregate, or an annual average of 10½ millions. Now I will show presently where part of that went to; you accept those facts, I think?—I accept the figures from you.

Are not these facts that I have mentioned signs of decreasing, rather than of increasing, poverty?—I do not think so.

You do not; can you tell us why?—It all depends on what classes all these things go to. In addition to what you have mentioned you must also be able to show that these increased imports of precious metals found their way into the pockets of the agriculturists—into the pockets of these poorer people.

(*Sir James Peile*) I will try to show it presently in a question I will put to you.

(*Chairman*) May I ask a question on that. The fact of these large amounts pouring into India shows that India as a whole was not decreasing in wealth?—I do not think that they are very large sums after all, when you remember what a large country India is. Besides, I should like to know how much of that went to keep up the currency of the country; how much was absorbed by Native States and how much remained in British India. The whole question will have to be gone into carefully, and mere total figures will not assist us much.

That is not my question. My question is a very simple one. In regard to these figures I speak of India as a whole. Do you admit that India as a whole was increasing in wealth?—I should not admit that; these precious metals do not come in for nothing; a large quantity of the produce of the country goes out as a sort of exchange. I do not think that mere imports of precious metals can be accepted as an addition, economically speaking, to the wealth of the country.

But you must suppose that the produce that is sold, that passes out as surplus produce and is sold—it is quite a voluntary matter to sell—would be sold at a profit?—Well, as a matter of fact, our exports

are greater than our imports, owing to these home charges. The fact that such large quantities of precious metals come into the country, shows that the imports in other shapes are fewer than they would otherwise be. I do not think that is any very conclusive evidence of the growing prosperity or poverty, either way; it is simply an economical fact.

But a great quantity of the precious metals coming into a country and stopping there, shows that there is at all events a power of hoarding or accumulating, if it does not go out?—I do not quite see that.

Perhaps you hesitate to accept proofs of prosperity?—I am quite open to correction, but I do not quite see clearly how the mere fact of the imports of gold and silver being so and so can mean that the country is increasing in prosperity. This is a fallacy of the mercantile system long regarded as exploded.

If I find at the end of the year in my banker's account a couple of hundred pounds more than at the beginning, am I a poorer man?—I do not say that; but if your income in one year was a couple of hundred pounds, and so many commodities, and in the next year you get fewer commodities and a hundred pounds more, that does not necessarily mean that your lordship is richer. It all depends on what the total amount comes to.

(*Sir James Peile*) Well, now, we will go on to your argument, based on famine. Your argument is that the people of India cannot stand up for one year against famine, because they have no resources to fall back upon?—Not exactly that.

Will you state it then, please?—I will take the famine of 20 years back. You were one of the Commissioners who gave particular attention to that, so of course I speak to you on the matter with considerable diffidence, but the opinion I have formed after reading the Famine Commissioners' report<sup>1</sup> is this. So far as our Bombay Presidency is concerned, there were two successive failures of rain, one in 1876 and then in 1877. During the first year the distress was not so very great, but during the second year the distress was most intense. On the other hand this year there has been a famine; the failure of rains, however, was not so great as it was 20 years ago, and yet the extent over which famine now prevails is much larger than the extent over which it prevailed then.

Surely you are wrong in one point, that the failure of the rain was over a smaller area this year than it was in 1876-7?—I am not talking

1. see foot-note on p. 593.

of other parts of the country; I am talking of the Bombay Presidency at present. Taking the figures on the relief works for Sholapore, for instance, I find the number has now increased to over 100,000—that is about 125,000. Now this figure was never reached even in the worst days of 1877. The highest total was, I believe, about 98,000 then.

Supposing the conditions of work and the pay of the work in this famine are a good deal more liberal than they were in 1876-7?—I do not think it is more liberal than what it was in 1877, i.e., in the second year of the famine—no doubt, in the first year it was very bad, but in the second year things had admittedly improved.

I have not got the exact figures about it, but I am told that is the case?—That is the official view, but our complaint is that the famine relief workers get very insufficient wages at present.

I think it would be a very difficult thing to establish a proposition of that kind, that the people are poorer now and call more largely for relief; that is a somewhat hasty conclusion, I think. Let us return to the general considerations of famine?—I have got some figures to prove my point.

You say that the people generally have no resources, and that they cannot tide over even one year?—Yes.

Now, is that condition of things peculiar to the English Government?—But after 50 or 60, or 100 years of settled government, surely things ought to have improved for the better.

I think they have; but one sees it very often said that the famines are entirely the fault of the British Government?—I never said so.

You have heard of the famine of 1770, before the British Government had anything to do with Bengal?—But I never said that British government brought famines into the country. I do not say—

In which one-third of the population died without any measures being taken to assist them?—I do not know anything about that.

(*Mr. Naoroji*) Was there not British possession of Bengal before 1770?—Yes; the Company governed under the nominal suzerainty of the Emperor.

(*Sir James Peile*) We had not direct responsibility for the executive Government?—I think in 1770 you had; it was only two years before the Regulating Act.

But, if you look into the form of the government, you will find that the native executive was still responsible?—If you will excuse me just a minute I will find it, because General Chesney gives it, and

I have his book here. In 1770 you were the rulers practically. The nominal ruler was the Emperor; virtually all government was in your hands—the revenue and everything.

The question is whether the British then would be responsible for famine relief?—I cannot go into that question, because I have never asserted that the British were responsible for famines.

I do not wish to go into the question. The point is that India was subject to famines in those days as severe or more severe than they are now?—With this difference that the data about those famines are very insufficient, and this is admitted in the Famine Commissioners' report.

Now, taking the number of persons in relief at the present time, do you know what the total amount is—the highest figure?—Yesterday I read in the "Times of India," I believe, that it comes up to about 4,000,000 or more at present.

I think it is hardly so large; it got up to three millions?—That was because the reaping was going on in some parts, and some had found employment elsewhere. The last figure was 430,000 or so.

Four millions you mean?—Yes, four millions; I beg pardon.

I do not think it is so many. It got up a little above three millions, and then it fell?—I made a remark to Mr. Naoroji yesterday that the number had gone up by about 30 per cent. since my leaving India.

Now, we will take your figure of four millions?—Yes.

Do you know the population of the provinces in which these relief works are undertaken?—I cannot say offhand.

The Government of India has given the area in which the famine is very bad, and the area in which it is not quite so bad?—Yes.

I think the one was 40 millions of people, and the other 37 millions, I take it, in round numbers?—Yes.

Call it 80 millions?—Yes.

That is 4 millions in 80 millions?—I beg pardon, four millions absolutely destitute, but many, many more in fact who suffer quietly at home, too proud to go to the relief works.

You say they have no resources?—They have no resources; if they starve, that is no resource.

That is an assumption which I do not admit?—I speak from personal experience of the famine in Sholapore. I was there about a fortnight only recently before coming here; I found, as a matter of fact, that there was very great distress.

I have no doubt "distress" most assuredly; still the people manage to live through it?—Well, if you will excuse my saying so, the Famine Commissioners themselves have said that, when 10 per cent.—10 per cent. or 12 per cent. is the figure they give—of the people are on the relief works, then the distress must be described as extremely acute. Now the population of Sholapore district is about 800,000—if I am correct, 700,000 to 800,000. Well, one-tenth of that would be about 70,000. If, therefore, 70,000 were on famine relief, the distress would be extremely acute, and it would be a severe famine. The number of men on relief works at present is about 120,000, somewhere about that, and, therefore, according to that statement in the Famine Commissioners' report, the distress there is very much more acute now than the standard laid down.

I was not at all arguing whether the distress was acute or not?—You seemed to say that 4 millions out of 80 millions did not indicate much distress.

What I was arguing was, that if 4 millions out of 80 millions come and ask for relief, and say they are starving if they do not get support from the Government, that shows that a considerable majority of the population are not driven to that extremity, and are able to support themselves through famine?—I do not think so. Much depends on the social status of the sufferers. There are people of the higher classes who would die rather than go to relief works; in fact, the Famine Commissioners themselves admit so.

What proportion are the highest classes? Are they not a very small percentage?—Not the highest classes, but the upper section of the lower classes. Moreover, the women do not go to relief works above a certain class. They suffer at home; they cannot go out and work; and there are various other things to be borne in mind. It is really difficult for me to go fully into the question offhand.

You are making all sorts of statements which I do not dispute; but, take the general result that out of 80 millions four millions come and seek for relief, would you not infer from that that a very large proportion of the people have resources which enable them to tide over famine?—I do not think so.

You do not think so?—According to your own standard, 10 per cent. represents severe distress; out of 80 millions, what would 10 per cent. be? I do not quite see how the whole thing would work.

Well, 4 millions to 80 is how much? It would be 5 per cent.?—But it must be remembered that this is the first year of the famine; besides, the total 80 millions includes also areas where the distress is not acute—where the distress is only mild, and all that.

(*Sir James Peile*) Let us proceed, because I merely wish to go into very general considerations, and not into particulars.

(*Chairman*) May I ask here, have you any returns of the mortality caused by this famine?—It is for Government to give those returns; the Government have not yet published them.

(*Sir James Peile*) They cannot yet, of course?—Sir William Wedderburn has been asking for them in the House of Commons for some time.

You can hardly get them yet?—I do not think it is so very difficult.

(*Chairman*) Are there any returns showing what the mortality of the famine districts is, and whether it is very much in excess of the ordinary rates?

(*Sir James Peile*) It varies very much. In some it is in excess, and in others it is not in excess?—I remember a statement drawn up by Mr. Goodridge who was recently Judicial Commissioner of the Central Provinces; and in it he gives the mortality for several districts in the Central Provinces, and the increase in several places is three or four times the normal rate.

You mean lately, this last year, in this famine?—In this famine.

During the early part of it?—Yes, during this famine.

Well, now, what class of persons suffer first?—In case of famine?

Yes?—I can speak from personal knowledge of my Presidency only. They are the small agriculturists who hold direct under Government; they are the persons.

Who first feel it?—Of course, simultaneously with others; the day labourers—

Do not the weavers feel it first generally?—The weavers also; they are in the first ranks.

Do the farm labourers come next?—Well, they also go with them.

Before the agriculturalist?—By agriculturalist I mean those small agriculturalists who are also labourers, not the landlords in whose name—

You mean the ryots, the peasant occupiers?—Yes, for the most part. A great many of them work on the soil themselves in Bombay.

Farm labourers, then?—Yes.

Weavers, and then farm labourers. Well, if you take farm labourers and mill hands in England, supposing that a great calamity

fell upon England, and the food supplies were suddenly stopped, do you think that farm labourers and weavers and mill hands, and so on, would have resources which would enable them to live over the period of high prices which would result?—That is a very hypothetical case, because such a calamity never seems to come to England.

(*Chairman*) The actual case did happen in the cotton famine of 1860?—I think that was a very extraordinary occasion, and your people assisted them, I believe, very well here.

But I want to point out that that has happened?—Only once in a way; that is, not so often as we have in India.

The question was whether such a thing had happened?—And it was, besides, a very small class, merely the operatives in mills, I believe, in Lancashire.

We do not think that the operatives in Lancashire are a very small class?—I do not say so. But the agriculturists in India are about 80 per cent. of the population; the operatives in mills here are not such a large class.

(*Sir James Peile*) There is another question I want to ask; is it a fact that the people have shown that they have no resources? Are you aware what happened in the last famine, when silver ornaments of enormous value were sent down by people upcountry to the mint to be coined owing to pressure of famine in order to obtain the means of support?—But that itself shows the extreme acuteness of the distress. Every woman in India, for instance, feels that she must have a certain minimum of small silver ornaments; well, owing to the customs of the people, that is almost as necessary as the breath of life; you cannot construe that into the wealth of the people.

My question was whether in time of famine they do not use that accumulation of ornaments to sell or dispose of, and so obtain food?—As a last resource they do.

Is it not, then, a resource?—It is a resource, but it is a very cruel resource to use.

I find that the last total is 2,800,000 on relief works?—Is that so? beg your pardon. But your figure, I think, does not include all the children who are receiving relief.

I will just wind up what I was saying. Then, to sum up, it seems to me that you must greatly modify this statement that the bulk of the people have no resources?—I do not see how.

In respect of having all those ornaments sent down to be coined?—That does not prove that the ornaments are increasing; nothing has been said about that.

My question was whether the people have any resources?—The question is a relative one, whether the resources are increasing or decreasing.

I have shown two points; an enormous portion of the agricultural population do not go on relief at all; and, secondly, they possess a considerable fund in the shape of ornaments, which they coin when the famine attacks them. I say, having those two points in view, must you not greatly modify the statement that the bulk of the people have no resources and fall down at once?—They have comparatively no resources; that is what I mean; I do not see any reason to qualify it.

Very well, that will do; and also I have shown that there are very important facts which point rather to a decrease than to an increase of poverty?—I should like to know them.

I gave them to you before?—They have not convinced me, at all events.

We traced the rise of agricultural prices?—But that means that everything has gone up, including the cost of agricultural produce; then, the agriculturalist has had to purchase certain other things for himself; and these too have gone up in price.

Let us take that for a moment; the agriculturalist grows his own seed?—Yes.

He also grows his own food?—Very little remains for himself.

There you are begging the question. What remains he sells; and he gets the increased prices?—That is only the theory of the subject.

That is not the theory; that is the positive fact in every house in the country. I think it is useless to prolong this discussion?—It is not a fact.

(*Sir William Wedderburn*) Is it not the case that the ryot is so much in the hands of the money-lender, that is to say, the trader, that he has to give him his produce at the price that the trader chooses to give him for it?—That is what I meant to explain just now, but I was asked not to go on.

And your general proof of the increasing poverty of the people is that, whereas in the late famine the people were able to stand up against the first failure and only suffered very materially in the second failure, in the present famine they have shown no power to stand up against the first failure?—That is what I mean.

(*Sir James Peile*) I must ask for a little evidence of that.

(*Sir William Wedderburn*) And that on the first failure on this occasion there are more people seeking relief than there were on the second failure in the first famine?—Yea.



to officers drawing between Rs. 5,000 and Rs. 10,000 a year, we find that we have 421 natives in the civil department, as against 1,207 Europeans and 96 Eurasians. In the military department there are 25 natives as against 1,699 Europeans and 22 Eurasians. In the Public Works Department there are 85 natives as against 549 Europeans and 39 Eurasians. And in the Incorporated Local Funds there are 4 natives as against 22 Europeans and 3 Eurasians. The total salaries of officers of this class are thus divided: Civil Department, Natives, Rs. 2,905,000; Eurasians, 650,000; and Europeans, 8,830,000. In the Military Department, Natives, 164,000; Eurasians, 139,000; and Europeans, 13,698,000. In the Public Works Department, Natives, 537,000; Eurasians, 278,000 and Europeans, 3,962,000. And in the Incorporated Local Funds, Natives, 25,000; Eurasians, 17,000; and Europeans, 146,000. In addition to these there are, under the railway companies, 258 officers of this class, of whom only 2 are natives, 8 being Eurasians and 248 Europeans. Their salaries are thus divided: Natives, 12,000; Eurasians, 50,000; and Europeans 17,10,000. In England 125,360*l.* is paid as salaries by the Indian Government, and 54,522*l.* by railway companies, all to Europeans. The financial loss entailed by this practical monopoly by Europeans of the higher branches of the services in India is not represented by salaries only. There are besides heavy pension and furlough charges, more than 3½ million sterling being paid to Europeans in England for the purpose in 1890. The excessive costliness of the foreign agency is not, however, its only evil. There is a moral evil which, if anything, is even greater. A kind of dwarfing or stunting of the Indian race is going on under the present system. We must live all the days of our life in an atmosphere of inferiority, and the tallest of us must bend in order that the exigencies of the existing system may be satisfied. The upward impulse, if I may use such an expression, which every school boy at Eton or Harrow may feel, that he may one day be a Gladstone, a Nelson, or a Wellington, and which may draw forth the best efforts of which he is capable, that is denied to us. The full height to which our manhood is capable of rising can never be reached by us under the present system. The moral elevation which every self-governing people feel cannot be felt by us. Our administrative and military talents must gradually disappear owing to sheer disuse, till at last our lot is stereotyped, as hewers of wood and drawers of water in our own country. The Indian Civil Service is merely 1,100 strong. Under the rules of 1879, since abolished, we were entitled to one-sixth of the whole recruitment, and in course of time we should have had about 180 natives in the Indian Civil Service. The Public Service Commission, appointed by Lord Dufferin, proposed

you that the people are in a worse condition?—I beg pardon. I did not volunteer these statements. You said the famine was not more intense, although the extent of area affected was greater. I say it is a milder famine, but it is causing much more suffering.

I said the extent of area covered by the famine was greater than the last, and it is an undoubted fact?—Well, I see no use in pursuing this matter further.

(Chairman) I will now pass on to where we left off yesterday, the services?—My Lord, I will say just one thing about the figure of 4,000,000. I gave that as only my recollection after reading a weekly paper yesterday. It may be wrong; there might be a misprint; but I did not take my stand upon this particular figure, and now that this authoritative statement is put into my hands I am ready to modify my own. Your Lordship will see that I based no argument on that 4,000,000.

I think you were going to offer some observations on the services?—Yes. In every department of Indian expenditure the question of agency is one of paramount importance. According to a Parliamentary return of May, 1892, we have in India in the higher branches of the civil and military departments, a total of 2,388 officers, drawing Rs. 10,000 a year and upwards, of whom only 60 are natives of India, and even these, with the exception of such as are judges, stop at a comparatively low level. And they are thus divided:

	Natives.	Eurasians.	Europeans	In thousands of Rupees		
				Total Salaries of Natives.	Total Salaries of Eurasians.	Total Salaries of Europeans
Civil Department.	55	10	1,211	947	151	25,274
Military.	1	1	854	12	11	13,268
Public Works.	3	4	239	33	45	3,415
Incorporated Local Funds.	1	...	9	10	...	113
Total.	60	15	2,313	1,002	207	42,070

In addition to these the railway companies employ 105 officers, drawing Rs 10,000 a year and more. They are all Europeans, and their total salaries come to 16 lakhs 28 thousand rupees. If we come down

That is your argument ? — Speaking for the Sholapore district, of which I have experience.

And you deduce from that, that the people are in a rather worse condition than they were before ? — Yes.

And that the fact of their dying from hunger is evidence that they have no resources to fall back upon ? — Yes.

(*Sir James Peile*) But is there any proof whatever that they have come more largely on to works ? — I gave you the figure for Sholapore.

And I gave you the official figures. Will you now read them ? — I cannot go into the whole question, but I know about one district, the Sholapore district.

I do not think this is anything to the point. We want the total figures for all India which you gave us as 4,000,000 on relief works ? — Well, I am open to correction as to a matter of fact.

Will you give us what it is in the official communication which I have put before you ?—It is 2,800,000.

Then the whole argument falls to the ground on the figures ?—It does not. I never based it on 4,000,000 or 3,000,000. I based it on our experience in the district of Sholapore. I know for a fact that there the number on relief is about 120,000, and on the last occasion, even in the second year, it was less than 100,000.

And if the famine this year is a great deal worse than on that occasion, and if the terms and conditions of the relief works are more liberal than they were on the last occasion, then you naturally get more men on the works ?—I myself heard the Collector of Sholapore say that this year it was only an " eight anna " famine at Sholapore. It was not so intense as the famine of 20 years back, although the extent was greater, and there were many more people who suffered than before.

What is the comparative price of food ?—I cannot give an off-hand answer to that question.

That would be the leading point of the whole question, would it not ?—If I had expected to be cross-examined on this point I would certainly have come prepared. But I thought this was outside the terms of the reference to the Commission.

You are making statements. Of course one must examine into them ?—I beg your pardon. You make statements, and I only reply to them.

You make statements in regard to Sholapore, and I see Sir William Wedderburn has tried to give point to them by putting to

the abolition of those rules, and recommended that 108 posts, usually held by covenanted civil servants, should be set aside for Indians. The Government of India and the Secretary of State thought this recommendation too liberal, and ultimately decided to throw open only 93 such posts to which the natives of India may be appointed, after certain existing claims were satisfied. That these higher posts are guarded with extreme jealousy as practically a close preserve, may be clearly seen from the following illustration. Mr. Jacob gives, in Appendix 16 of section II of this Commission's Report, the total number of District and Sessions Judges in India as 126. Out of these only five are shown as natives. Now the capacity of natives for the efficient discharge of judicial duties has been over and over recognised, and the Public Service Commission expressly recommended that one-third of all District and Sessions Judgeships should be given to natives, which meant 42 out of 126. Instead of those 42, however, we have at the present day only five native District and Session Judges. So, again, in the Police, out of 230 District Superintendents only three are natives. Only five natives qualified to do the work of District and Sessions Judges, and only three for the work of Police Superintendents in all India, after close on a century of British rule! The same is the case with the Forest, Accounts, Opium, Mint, Scientific, and other departments. In the Public Works Department we have a total strength of 800 engineers, of whom only 96 are natives. The Indian civil engineering colleges have been working for years, and yet not more than 96 of their trained graduates are to be found in the higher branches of the engineering service. In this connexion I may mention that the Finance Committee of 1886 recommended that the connection of the Indian Government with the Cooper's Hill College be terminated as soon as possible, and that there be a larger recruitment of students of Indian colleges. This recommendation, however, was not accepted by the Government of India. I may also be permitted to make one or two general observations here on this Public Works Department. This department has been for a long time overmanned, and Lord Dufferin's Finance Committee thought it necessary to pass some severe criticism on the point. The sanctioned strength is 760. The actual strength in 1884-85 was 898, in 1893 it was 857, and now it is about 800, which is still 40 in excess of the sanctioned strength.

(*Sir James Peile*) In the Civil Department? You mean the Higher Department?—Above Rs. 10,000 a year.

(*Chairman*) May I ask, was 760 the number of which Lord Dufferin's Committee approved?—Yes. It was sanctioned by the Secretary of State. Ever since the expansion of the Department in 1860, and notably from 1868 to 1875, we have had the superior staff

to officers drawing between Rs. 5,000 and Rs. 10,000 a year, we find that we have 421 natives in the civil department, as against 1,207 Europeans and 96 Eurasians. In the military department there are 25 natives as against 1,699 Europeans and 23 Eurasians. In the Public Works Department there are 85 natives as against 549 Europeans and 39 Eurasians. And in the Incorporated Local Funds there are 4 natives as against 22 Europeans and 3 Eurasians. The total salaries of officers of this class are thus divided: Civil Department, Natives, Rs. 2,905,000; Eurasians, 650,000; and Europeans, 8,830,000. In the Military Department, Natives, 164,000; Eurasians, 139,000; and Europeans, 13,698,000. In the Public Works Department, Natives, 537,000; Eurasians, 278,000 and Europeans, 3,962,000. And in the Incorporated Local Funds, Natives, 25,000; Eurasians, 17,000; and Europeans, 146,000. In addition to these there are, under the railway companies, 258 officers of this class, of whom only 2 are natives, 8 being Eurasians and 248 Europeans. Their salaries are thus divided: Natives, 12,000; Eurasians, 50,000; and Europeans 17,10,000. In England 125,360*l.* is paid as salaries by the Indian Government, and 54,522*l.* by railway companies, all to Europeans. The financial loss entailed by this practical monopoly by Europeans of the higher branches of the services in India is not represented by salaries only. There are besides heavy pension and furlough charges, more than 3½ million sterling being paid to Europeans in England for the purpose in 1890. The excessive costliness of the foreign agency is not, however, its only evil. There is a moral evil which, if anything, is even greater. A kind of dwarfing or stunting of the Indian race is going on under the present system. We must live all the days of our life in an atmosphere of inferiority, and the tallest of us must bend in order that the exigencies of the existing system may be satisfied. The upward impulse, if I may use such an expression, which every school boy at Eton or Harrow may feel, that he may one day be a Gladstone, a Nelson, or a Wellington, and which may draw forth the best efforts of which he is capable, that is denied to us. The full height to which our manhood is capable of rising can never be reached by us under the present system. The moral elevation which every self-governing people feel cannot be felt by us. Our administrative and military talents must gradually disappear owing to sheer disuse, till at last our lot is stereotyped, as hewers of wood and drawers of water in our own country. The Indian Civil Service is merely 1,100 strong. Under the rules of 1879, since abolished, we were entitled to one-sixth of the whole recruitment, and in course of time we should have had about 180 natives in the Indian Civil Service. The Public Service Commission, appointed by Lord Dufferin, proposed

Engineers from a total of 273 are at present on the civil staff, the greater number of the remaining 200, or so, doing little or no work. It may be added that these suggestions of the Finance Committee had the full approval of the then Commander-in-Chief.

(Chairman) Do you consider it advisable to do away with the Civil Engineering Staff altogether?—I only mention what the Finance Committee themselves recommended.

Do you advocate total abolition?—Well, the recruitment from Cooper's Hill College was to be stopped; they said that for the most part the recruitment should be from the Indian colleges.

You said "for the most part." Do you think the military engineers were to form the total engineering staff of the Government?—I have not quite caught the question.

Do you consider that the Finance Committee recommended that the civil staff should be entirely done away with and that the whole of this engineering staff should be supplied by the military?—Oh, no, not at all. They said that there should be European civil engineers; but that no special places should be given to a particular college, and that every man should be recruited in the general market; also a much greater recruitment might be made in India.

Well, do they consider the point, how far you could attempt to weaken the military staff?—They themselves said they were not exactly in a position to say how much the Royal Engineers could be reduced; but they said the Royal Engineers were not doing much work, and that such a large number as 127, which was the strength then, was not required for the repairs of barracks and such small things as they had to do.

You say 70 Royal Engineers are employed on the civil staff at present. I want to know whether the strength of 70 Royal Engineers at all corresponds to the numbers which were in the minds of the Finance Committee, when they recommended that military engineers should be employed on the civil staff?—I do not think so. I think this is the tenor of their recommendation. They thought that by far the larger portion of the Royal Engineers should be employed on civil duty. Moreover, they proposed that the Military Works establishment was to be amalgamated with the civil. In that case, the Royal Engineers would be amalgamated with the civil staff, and they would do military work where that was necessary, and they would do other work, civil work, when they had no military work to do.

But I do not understand from this that the Committee inquired into or formed an opinion as to, how many men were necessary for the

arranged less with reference to the work to be done than to the condition of things as regards the position of officers. I may mention here briefly that these points have been expressly admitted by Sir Theodore Hope,<sup>1</sup> who was in charge of the Public Works Department for a considerable time. There has frequently been hasty and irregular recruitment during the periods of expansion, followed by blocks in promotion, requiring in their turn corrective efforts in the shape of special allowances or better pay and pensions, not founded on a consideration of the executive needs of the Department. And more than once officers have been specially induced to retire from the service on very favourable conditions as to pensions, to reduce the redundancy of officers.

That is a very intelligible criticism on the administration, but, may I ask, is not that common to all administrations? I do not know any country to which that kind of charge does not apply, namely, that in one shape or another, under pressure or owing to error on the part of the Government, charges which part of the community think excessive, are incurred. That is not peculiar to India, is it?—I do not know much about other administrations.

(*Sir William Wedderburn*) Might not that difficulty be met by the temporary employment of natives of India instead of taking on permanent European officials who have claims for permanent service and pensions?—Yes, and I would also add that these special concessions are general, and invariably made in the interests of the European services only. I do not know a single instance where native services have ever clamoured for increased pay or pensions, or ever got any concessions. The Finance Committee of 1886 recommended that Royal Engineers in the Indian Army should be put on the Civil Staff, remarking that "it is necessary to maintain a considerable establishment of Royal Engineers in India for military requirements. . . Such of them as are not needed for purely military duty in time of peace can be best employed in the Public Works Department, and should, in our opinion, have the first claim for employment in that Department in preference to all others," and the Committee suggested that the Military Works Branch of the Department should be abolished as a separate branch for military works, and amalgamated with the general Department. The suggestion as to the abolition of the Military Works Branch has not been carried out, and only 70 Royal

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Eurasian employees about the middle of 1893, and the figures for the last three years have been as follows :

Year.				Amount in Rx.
1893-94	...	...	...	618,468
1894-95	...	...	...	1,239,275
1895-96	...	...	...	1,327,632

I have taken these figures from the Financial Statements. The allowance consists in converting half the salary of each officer into sterling at the rate of 1s. 6d. to the rupee, subject to a maximum of 1,000l., and then converting it back again into rupees at the current rate of exchange. Practically, it has amounted to a general increase of salaries. Now, in the first place, it is admitted that these employees of Government had no legal claim to the compensation. The pay of the European soldier in India is fixed in sterling, and the Government have now to make to him a much larger rupee payment than before. Nobody, however, has ever suggested that this rupee payment should be reduced. If anyone had made the suggestion, he would have been told that the soldier was legally entitled to it. The guaranteed companies are now getting 5 per cent. on their capital, though they do not earn so much, and though Government can today borrow at the rate of  $2\frac{1}{2}$  per cent. If anyone were to say that 5 per cent. was now too high a rate to pay, and that the companies should be asked to be satisfied with less, he would be told "a contract is a contract." My point in giving these illustrations is this: if existing contracts are not to be disturbed in favour of the Indian Exchequer, why should they be disturbed against it? Secondly, if the European employees of Government suffered from the fall in exchange, Government itself, as representing the taxpayers, suffered much more from the same cause. When such a general misfortune has overtaken all classes of taxpayers, to single out a particular class for special relief by imposing additional burdens on the remaining classes, and these not well able to bear them, was entirely unjust. Thirdly, though it is quite true that the fall in exchange has considerably lowered the gold value of the rupee salaries, the salaries themselves were so excessively high, considering especially the great change that has taken place in the facilities and means of communication between England and India, that even with the fall in exchange they were very high. I think it will be admitted that non-official Anglo-Indian testimony on this point is very valuable. The Bombay Chamber of Commerce is recognised to be one of the foremost

military works? It seems to me that the first point to be ascertained, before military men are drafted away to do civil work, is to what extent you could afford to do it; and the Committee do not appear to me, from your statement, to have taken that into consideration?—They said the information at their disposal was not sufficient to justify a recommendation on that point. But then under this scheme there would have been only one general Public Works Department, and the Royal Engineers and the Civil Engineers would have all belonged to that one Department.

But I am keeping to the military engineers; I see that out of the force which you mentioned as 127 — ? — 70 are on the civil staff at present.

Did you not mention 127 Royal Engineers? — That was the strength at that time, yes.

Well, at present, 70 are employed on the civil staff. It does not seem clear to me at present that the real meaning of the Committee has not been given effect to, if there are 70 so employed out of 127? — Out of 273 at present; the present number is 273.

That is the total force? — The total number of Royal Engineers at present is 273.

Is 273. Well, what I want to ascertain is, whether the Finance Committee, who seem to have been rather vague upon this point, would have considered 70 out of 273 as practically satisfying their objects? — I am not qualified to express an opinion on that; but the impression on my mind, after reading what they have written, is that they would not have been satisfied. They expected a much larger proportion to be employed on civil work.

But at the same time, if they did expect it, it was a shot in the brown, because they had not taken means to ascertain how many of these Royal Engineers would be required for military purposes? — It should be remembered that their view was supported by Lord Roberts at that time — by the Commander-in-Chief.

And did he name any numbers? — No, because he also proposed an amalgamation, so it was not thought necessary to mention a special number.

Well, we will now pass on to the exchange compensation allowance, upon which, I think, you wish to offer some observations? — This allowance was granted to all non-domiciled European and

"General misfortune had overtaken all classes" would rather seem to me to mean that every class in India had suffered by the fall in exchange?—The taxpayers; I would modify it in that way.

And when you say that all classes have suffered, you mean that, in order to provide this exchange compensation allowance, money was appropriated to it which might have been applied to other better objects?—That is what I mean.

(*Sir William Wedderburn*) All classes of taxpayers, I suppose? —I should put it like that.

(*Chairman*) When you quote the Chamber of Commerce as an advocate that all civil pensions and retiring allowances should be paid in the currency of the country, have you turned your attention to what is done in colonies?—No, I only place before the Commission the Chamber's view.

But I presume you are supporting that view? —It commends itself to me; yes, I support it.

Do you know at all what is the rule in Ceylon?—No.

Perhaps I might mention it to you; there, I believe I am right in saying, the salaries are fixed in rupees?—I am glad to hear it.

I want to see what the Chamber of Commerce are asking in this respect?—Well, they ask for a reduction of the salaries of the civil servants.

Yes, but they say here that "all civil pensions and retiring allowances should be paid in the currency of the country"?—Yes, they go further, and say that the pensions of civil servants, which are fixed at 1,000*l.* sterling, should also be fixed and paid in the currency of the country.

That is what they mean, that this rule should be confined to the pensions paid in this country?—Yes, all pensions that are drawn in sterling should be fixed and paid in rupees; that is what they mean. I will give you an illustration: Take the uncovenanted civil servants; their pensions were fixed at *R.* 500 a year. In several cases they were 600, but 500 was the general rule. When the rupee began to go down, they agitated for a special concession. Sir Henry King<sup>1</sup> espoused their cause, and in 1890 they got a special rate fixed at

1. *Sir Henry Seymour King*, head of the banking firm of H. S. King and Co. (with branches at Bombay and Calcutta), M. P. (1885-1911); Mayor of Kensington (1901-02); chairman, Commissioners of Income-Tax for the City of London (1925); founder of *Overland Mail*.

and most important representative bodies of the English mercantile community in India. This Chamber, in writing to the Finance Committee on the subject of reduction of expenditure in 1886, thus wrote on the subject of salaries paid to Englishmen in India :

The question of the salaries paid by Government to its servants is one on which the Chamber holds very decided views. The just apportionment of remuneration to the exact quality and quantity of work done may, from the standpoint of individual cases, call for very nice discrimination and intimate knowledge of the circumstances surrounding each appointment, but the Chamber, having many amongst its members in a position to form a true estimate of the standard of pay necessary, at the present day of widespread education and keen and increasing competition among the members of the middle classes for responsible employment, to ensure the attainments required from civil servants, covenanted and uncovenanted, does not hesitate to say that the entire scale of remuneration, but more especially of the senior classes, is pitched at too high a level. At the time existing rates were settled, not only did the requisite educational acquirements command a higher premium than they do now, but there were other considerations calling for monetary compensation. In former days an Indian career practically entailed expatriation, officials frequently lived very solitary lives, were exposed to exceptional temptations, and exercised great responsibility. In latter years these conditions have been greatly mitigated, and in some cases thoroughly reversed. Communication with England is constant and rapid, life in India is healthier and attended with more comfort and less expense, whilst control is so centralized that responsibility is, in a great measure, taken out of the hands of officials except of the highest ranks. Under these circumstances, a revision of all salaries, but particularly those above, say, Rs. 1,600 per month, is manifestly justifiable and called for. In all recent discussions on this subject the decline in sterling exchange has been urged as a strong argument for non-reduction; but in the view of this Chamber that is a matter which Government should not take into account. What it has to look to is purely the amount it must pay under all existing conditions and circumstances, in order to secure the necessary qualified labour in this country, leaving individuals themselves to provide for the wants of their families in Europe, and their own requirements for leave. The Chamber, in fact, would go even further than this, and advocate that under the new rules for future contracts, all civil pensions and retiring allowances should be paid in the currency of the country. India is no longer a *terra incognita* to the educated classes of England, and even under the comparatively less tempting inducements indicated above, the Chamber feels convinced that there would be no lack of suitable men ready and anxious to recruit the ranks of the service. This naturally, leads to the consideration of the economy practicable by larger employment of natives. Much might, doubtless, be saved in this way, particularly in connexion with the Judicial Department, where the opening for efficient native agency seems widest; but the Chamber is not prepared to formulate, nor possibly your Committee to discuss, a settled scheme for the entrance of natives into the covenanted and uncovenanted services.

May I ask what you mean by all "classes"?—Well, the whole country, because we had to pay increased taxation, or rather we did not get the relief we might otherwise have got.

(*Sir James Peile*) Is that net or gross?—Gross; the receipts have not been deducted, but, if they were deducted, it would be still worse. In 1894-5 it was Rx.910,972, showing an increase of only Rx. 21,800 in four years. But even this increase was only an addition to the salaries of European officials in the department in the shape of exchange compensation allowance, as may be seen from the fact that while there was no charge for this allowance in 1891-2, in 1894-5 the compensation to educational officers was Rx. 18,800. About Rx.30,000 is the increase in five years. Side by side with this might be noted another fact, viz., that during these same four years the Government expenditure on public education in Great Britain and Ireland increased from 5 millions to nearly 9 millions sterling—the contrast is too powerful to need any comments. One cannot help thinking that it is all the difference between the treatment of children and step-children. There are more than 537,000 towns and villages in India, with a total population of about 230 millions, and yet there are less than 100,000 public primary schools for them. The population of school-going age in India is about 35 millions, out of whom only about 4 millions (including those attending private or unaided schools) are under instruction, which means that out of every 100 children of school-going age, 88 are growing up in darkness and ignorance and consequent moral helplessness. Comment on these figures is really superfluous.

I may add that in 1888 the Government of Lord Dufferin issued a Resolution, which amounted to a virtual change of policy in the matter of education. Only four years before that Lord Ripon had issued a Resolution, addressed to all Provincial Governments, urging them to increase their expenditure on education, and even offering assistance from the Imperial Exchequer, where absolutely necessary. In 1888, however, Lord Dufferin directed the Provincial Governments, in express terms, to gradually reduce the share contributed by Government to public education.

(*Chairman*) Has the Resolution been published?—Yes, it is appended to Sir Alfred Croft's<sup>1</sup> review of education from 1882 to 1886. It was published in 1888.

(*Sir James Peile*) I do not get the figures to correspond to yours?—If I get a copy of the Statistical Abstract, I will show them.

I think you have not taken education managed by local bodies?—No, of course not; that is separate altogether.

<sup>1</sup> *Sir Alfred Woodley Croft*, Director of Public Instruction, Bengal (1877-97); member, Education Commission (1882-83); member, Bengal Legislative Council (1887-92); Vice-Chancellor, Calcutta University (1894-96).

which rupees should be turned into sterling, namely 1s. 9d. Here were rupee pensions which were converted into sterling at a fixed rate.

That is to say, those pensions were practically fixed in sterling? — They were fixed in rupees originally but they were converted into sterling in 1890.

But from that time they were practically in sterling? — They were practically in sterling, yes.

The letter of the Bombay Chamber continues :

All I am instructed to lay stress upon in that direction is that, when Government decide on the competence of Natives to hold certain posts, due allowance should be made in fixing their pay for the proportionate cost of living and expenditure between them and Europeans of a like grade.

Fourthly, assuming that some relief was needed, it was most unfair to give the allowance to all. I mean men who went out to India after the rupee had fallen below 1s. 4d., *i.e.*, who accepted the rupee salaries with their eyes open, as also those who had no remittances to make to England—these, at any rate, ought not to have been granted the allowance. This indiscriminate nature of the grant constitutes, in my opinion, its worst and most reprehensible feature. No wonder after this that the Indians should feel that India exists for the European services and not the services for India. While the miserable pittance spent by Government on the education of the people has stood absolutely stationary for the last five years on the ground that Government has no more money to spare for it, here is a sum larger than the whole educational expenditure of Government given away to its European officials by one stroke of the pen.

The salaries of some of the officers are fixed in rupees by statute. The grant to these men seems to be illegal as long as the statute is not amended. The question, I understand, has been raised, but it has not yet been disposed of by the Secretary of State. Meanwhile the allowance continues to be paid to these officers pending such disposal.

The next branch to which I would call your attention is that of Education?—The meagreness of the Government assistance to public education in India is one of the gravest blots on the administration of Indian expenditure. No words can be too strong in condemning this neglect of what was solemnly accepted by the Court of Directors in 1854 as a sacred duty. During the last four or five years the Government grant to education has been absolutely stationary. In 1891-2 it was Rs. 889,173.

Why?—That is local taxation; it is not contributed from provincial revenues. In the Statistical Abstract itself the figures are represented separately. The first column is from provincial revenues, the second is from local rates.

But local rates, that means one-third of the cess on land revenue?—Yes, but that is for local purposes. According to your view municipal money might also be added.

Certainly?—That is not a Government contribution. The 5 millions and 9 millions I have spoken of as expenditure in England do not include local rates.

You are merely giving what the Government itself provides out of the taxation fund?—It might be said that is local taxation, whereas this is provincial taxation.

Did you include the scholars who were taught in the local rate schools in the total that you took?—I have taken all.

(*Chairman*) Are the 4,000,000 scholars you have mentioned out of 85,000,000 aided out of local rates as well as out of the public taxes?—And even those attending schools not aided. There are some schools in India that receive no aid from Government. Anybody who attends a school is included.

(*Sir James Peile*) The number of educated persons has largely increased?—Well, of course they must increase in that way.

It is always increasing. It is increasing, and it began from a very low scale indeed under native rule?—That I admit. But of course the British Government should never think of comparing itself with previous Governments in such matters.

It must begin where they left off, you know?—What I complain of is this change of policy. Lord Dufferin distinctly called on Provincial Governments to reduce their educational expenditure.

On higher education?—No, on all education.

You mean that he wished to elicit the spontaneous energy of the people in promoting education. That is what he says, I presume?—He says the share of Government must be reduced, that is all he says.

On what ground?—He says the work of Government is to pioneer the way; that is how he puts it. That has been done, and now these things must be left more to the people.

Was not that what Lord Ripon said four years previously?—No, certainly not.



(Chairman) You have not got that Despatch here?—I could give you the reference. There was the review of the education in India by Sir Alfred Croft, Director of Public Instruction in Bengal, after the Education Commission. It is the first quinquennial review published by Government, and there is prefixed to that review a resolution of the Government of India dated June 1888, passed upon it. If that volume is brought I would read it to you. I wanted to bring my copy, but it was too heavy.

While the book is being got out, perhaps we might pass on to the subject of railways?—Yes, my friend Mr. Wacha has gone into this question in great detail, and I will only add one or two observations to what he has said. In the evidence already recorded by the Commission, satisfaction is expressed in one or two places that in India the working expenses of railways form a smaller percentage of the total railway receipts than in England, and the conclusion seems to be drawn that Indian railways are constructed and worked more cheaply than English railways.

Are you putting that forth as a grievance?—No, no; I am only stating what strikes me as a conclusion not quite warranted.

The fact remains that railroads were constructed cheaply, whatever the reason?—Not cheaply as judged by the Indian standard; certainly cheaply compared with the English standard. If they used more native agency, the working expenses would be even lower. Before the Fawcett Committee the whole question was gone into. In the case of the Great Indian Peninsular the actual expenditure very largely exceeded the estimates; it nearly came to double the estimated amount. Mr. Thornton,<sup>1</sup> who was Secretary in the Railway Department, I believe, has himself stated that the whole thing was done very badly and very extravagantly.

But the fact still remains that of almost all the railway systems in the world the working expenses of the Indian railways bear the smallest relation to the gross receipts; therefore that means that, as a Government speculation, it is a beneficial one?—I do not think so, my Lord, for this reason, that our wages are very low, and therefore the working expenses must be low.

Still that does not alter the fact that the undertaking is a profitable one, that is all?—I will make a few remarks on that afterwards.

1. William Thomas Thornton (1813-1880); clerk in East India House (1836); first Public Works Secretary there (1859); wrote largely on economical questions; author of 'Indian Public Works and Cognate Indian Topics' (1875), and a paper on 'Irrigation regarded as a Preventive of Indian Famines.'

I say that, if the working expenses of a railroad are 45 per cent. of the gross receipts, it shows that the undertaking is more profitable than if they are 70 per cent. ?—That is true.

I do not want to go further than that, because that is quite sufficient for me ?—I might, however, state that this lower percentage of working expenses is not peculiar to our railways only, but is, in fact, a necessary condition of all industrial undertakings in India. Labour with us is very cheap, while capital is very dear, so a much larger margin is necessary for profits, and a much smaller one suffices for the working expenses than is the case in England. The mere fact, therefore, that the working expenses of Indian railways form a smaller percentage of the total receipts than they do in England does not in reality prove anything. Meanwhile it may fairly be asked, if Indian railways are, on the whole, a profitable undertaking, why do English investors, with all their enterprise, almost invariably insist on a Government guarantee of interest in one form or another ? There was an excuse for the first companies requiring such a guarantee. But after so many years' experience of Indian railways, and after so many protestations, both from the existing companies and from Government, that there is a great, a prosperous, future for Indian railways, it is astonishing to see that every new scheme proposes that all elements of risk and possible loss should be shifted on to the Indian taxpayer, securing an absolutely safe, clear percentage of profit for the English investor. So long as the Indian Government has to bear a net loss on railway account, no matter from what cause, so long it is futile to represent the Indian railway enterprise, whatever may be its other advantages, as a commercial success.

Then may I take it that the conclusion you draw from this is, that it is a mistake to have made any railroads at all ?—I do not say that.

I do not see, if you speak of Indian railway enterprise in these very strong terms, that any other conclusion is left to you ?—I explained before that, so far as the main trunk lines are concerned, the only complaint we would make is that they have been constructed in a very extravagant manner, as was given in evidence before the Fawcett Committee ; but the increased activity which the Government is showing now is not required. I make a distinction between the main trunk lines and the other lines that are now being constructed.

Are you able to say that the cost of construction, as compared with railroads in other countries, is very dear ?—I am not prepared to say that.

If you are not prepared to say that, is it quite fair to speak in strong terms about the extravagance?—Extravagant about what?

As I understood your words, they were that the cost of construction of the railways has been very extravagant?—Of the earliest railways. The earliest railways were constructed in a very uneconomical manner.

I did not hear you limit your criticism to the earliest railways; but, on the whole, are you prepared to say that the mileage expense of construction in India has been extravagant compared with what it has been in other countries?—Well, I have not looked at it from that point of view.

I think, from your evidence, one would gather that that was your view?—No, my view is this, that there is a net loss which the State has to bear on the railway account, and, as there is greater and greater activity, there will be even more and more.

I quite understand that you would now prefer caution; you would not go so fast; but your recent evidence has been founded upon the charge of extravagance; and I want to know whether you have actually gone into the charges, and been able to satisfy yourself that the cost of the construction of railways in India is dearer than it is in other countries, and, therefore, open to the charge of extravagance?—I fear I must not have expressed myself clearly. What I meant was that the railway lines that were first constructed were constructed extravagantly, and, so far as that is concerned, I can give some evidence; but, in regard to the lines that are now being constructed, I do not think they are being constructed wastefully or extravagantly. I do not say so; but I mean that this rushing of programme after programme is burdening us with responsibilities.

Now, with regard to the earlier railway lines, have you ever heard that the earlier lines in almost every country have been constructed at a very high rate?—That may be; but in the construction of the earlier Indian railways there was a great waste in India, which was condemned as culpable by men who knew the subject—by men like Mr. Thornton, who had been connected with railways for a long time. Bridges had to be re-constructed; there was such lack of supervision; and a great deal of money was misappropriated, and things of that kind; there was a great waste in all that.

Is that a criticism of individuals, or a criticism of any responsible body?—Mr. Thornton appeared before the Fawcett Committee as a responsible representative of the Government of India; and in 1867, when the Government decided to build on its own responsibility, it

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drew up a long statement of the whole case; and there also it dwelt upon the wasteful character of the expenditure of the guaranteed companies owing to the want of proper check. These facts are all admitted by the Government. I have no fault to find with the present railway construction of Government on the ground of extravagance or wastefulness. What I mean is, that the revenues of the country are being burdened in an increasing proportion with these liabilities.

Of course there is another matter to be taken into consideration; namely, that a railroad, which opens up a country, confers considerable benefits upon the country, which may be fairly purchased even if the railroad is not worked at a profit and if it becomes a charge, in consequence, upon the taxpayer?—Yes; but that becomes then a question of which benefit is comparatively greater. I would prefer Government spending much more on education to its bearing this net loss on railways.

But that is a preference of your own?—Oh, yes.

In this case you dwell, in dealing with the railroads, upon the fact that the State has to pay a certain sum towards the expenses of the railroads, but you omit any allusion to the fact that the opening up of the country in itself is usually held to confer a benefit on the inhabitants, which benefit must be set against any such loss as that of which you speak?—But I have said in my evidence that “whatever the other advantages may be,” from the financial point of view I find fault with it. I say, “So long it is futile to represent the Indian railway enterprise—whatever may be its other advantages—as a commercial success.”

You say “as a commercial success.” *It may be a commercial success* on account of the benefit which it confers upon the country generally, even though it may cost the Government something. However, perhaps you will proceed?—I have two suggestions to offer on this subject of railways. The first is, that the time has now come when the same restrictions that now exist on the outlay of public money on unproductive public works, should be imposed in the case of these so-called productive works also; these restrictions being, that in future all Government expenditure on these works, direct or indirect, should be out of surplus revenue only, and not out of borrowed money. A new programme, costing 28 crores of rupees, has just been announced, and a private letter which I received from India by the last mail says that it has been sanctioned in spite of the protest of the Finance Member, Sir James Westland. When one remembers that the condition of Indian finance is at present most depressed, that all really important lines have been already constructed, and that many of the most pressing needs of the country, such as education, receive no attention from

the Government on the ground of the poverty of its exchequer, one cannot help thinking bitterly of this reckless profusion of Government in the matter of railway construction, especially as the Indian people feel that this construction is undertaken principally in the interests of English commercial and monied classes, and that it assists in the further exploitation of our resources. The second suggestion is that the guaranteed railways should be taken over by Government at the first opportunity in each case, without exception. The waiver of the right to take over the Great Indian Peninsular Railway 20 years ago was very unfortunate. Apart from the loss entailed by the high guarantee, by the unfair manner of calculating the surplus profits, and by their calculation six-monthly, instead of yearly, there is another very deplorable loss which the Indian exchequer must bear in the matter of these guaranteed railways. The shares of these companies are at a high premium, and that is due, in great measure, to the Government guaranteeing a high rate of interest. The premium thus is, to a considerable extent, only artificial, and yet Government must pay it when it has to take over these railways.

That really means, does it not, that you would put a stop to railroad extension now almost entirely?—Unless funds can be supplied out of revenue.

Quite so; but the surplus having been comparatively small, it would mean, would it not, that practically no railroads would be made?—If it comes to that, I would be prepared to accept that.

(*Sir William Wedderburn*) Looking to the very difficult position of Indian finance, you think that railways are a luxury for which the country can wait a little, though they do desire them?—That is my view; that is also Sir Auckland Colvin's view.

(*Chairman*) Would you really impress it on the Commission that the Secretary of State and the Government of India have undertaken these railways principally in the interests of English commerce and commercial monied classes; is that a direct charge of yours?—That is the impression in India, because the facts are there. Whenever a Viceroy goes out to India there is a deputation that waits on him, and they put pressure upon him to construct these railways, and he makes a promise, more or less, that he will do his best. There is no feeling in India that there should be these railways—the Finance Member is opposed to them. The Famine Commission recommended that 20,000 miles of railways would be practically sufficient, so far as protection from famine was concerned—that total has been reached, and still there is a new programme of 28 crores.

(*Sir James Peile*) Not for protective lines?—I have not caught the question.

The programme of 28 crores contains no protective lines?—We do not want any more of their lines; spend more on education for the present, and afterwards on railways. You are going in one direction and going in no other directions. All these railways cannot be a disadvantage—I am prepared to admit that—but it is a question as to which advantage is greater.

(*Chairman*) And do you hold that the Viceroy is only a registrar of what the commercial classes here choose to tell him?—Not choose to tell him, but the pressure is felt by the Secretary of State owing to the peculiar position of English politics.

You do not think it possible that the Viceroy may think this policy for the advantage of India?—It is difficult to put the thing exactly that way. I rather hesitate to put the thing as strongly as that, but more or less that is the impression.

But you have stated that this construction is undertaken principally in the interest of the English commercial and monied classes?—That is what we feel.

And I think anybody listening to that must feel that you are yourself supporting the idea that the Viceroy was not doing this mainly in the interest of the Indian public, but principally in the interest of the monied classes here?—That is the only conclusion, that we can derive from certain facts. I will mention one. In 1879 a Parliamentary Committee<sup>1</sup> sat to inquire into this subject of public works. Well, after a great deal of careful inquiry they recommended that 2½ millions a year should be the limit of borrowing for Indian public works. Of course, the Secretary of State and the Government of India between them can alter this limit; and, as a matter of fact, they have not been acting up to that limit lately. This new programme of 28 crores, which is to be finished in a short time, also shows that they are setting aside this limit; so the impression that we have is that it is all undertaken more in the interests of the commercial classes.

(*Sir William Wedderburn*) Has any great native association, like the Indian National Congress, ever pressed for that rapid extension of railway communication?—Never.

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1. Select Committee with Lord George Hamilton as the chairman "appointed to inquire into and report as to the expediency of constructing public works in India with money raised on loan, both as regards financial results and the prevention of famine."



In the 12 years in which they have made representations to Government, that has not been included in their programme?—Never.

Therefore, you assume that it has not been owing to Indian pressure, but it has been owing to English pressure that this activity has gone on?—Yes. That is my view.

(*Chairman*) Now we come to the Famine Insurance Fund?—All statistics on the subject of this fund are already before the Commission. Of late years, there has been a great deal of controversy as to the real object with which the fund was created. I think the best evidence that I can offer on this point is to quote the following extract from the report of a Parliamentary Committee which examined in 1879 the subject of public works in India, and of which Lord George Hamilton was chairman<sup>1</sup>:

During the financial years 1877-78 and 1878-79 additional taxation was imposed in India in order to establish an annual Famine Insurance Fund of 1,500,000*l.* That amount was fixed with reference to the famine expenditure, which, during the last six years, had amounted to the enormous sum (excluding loss of revenue) of 14,487,827*l.*, of which a very large portion had been met by borrowing.

(*Sir James Peile*) Will you tell us what that taxation was; you say taxation; what taxation?—The special taxes that were imposed by Lord Lytton.

What were they?—Well, the license tax was imposed, the officers of Government and certain other classes were exempted, but then the traders and such other persons were taxed; it was known as the license tax.

The question is what the license tax Act said; was it said in the Act that it was imposed to establish a fund of 1,500,000*l.*?—Well the proceeds of the license tax were to form a famine fund.

Was it mentioned at all or referred to in the license tax Act?—I cannot say exactly what was contained in the Act itself, because I never thought anything of that.

It would all depend on that, would it not?—I have read the Viceroy's speech.

The object of the taxation would be stated in the legislation which established the tax?—I have read the Viceroy's speech and Sir John Strachey's speech on that occasion.

(*Sir James Peile*) I gave in Mr. Wacha's evidence the preamble of two Acts which were passed in 1878 or 1879, one for the North-

1. see foot-note on p. 614.

West Provinces and the other for the Punjab, in which I showed that the taxation was imposed—local rates it was—to strengthen the general finances in order to enable them the better to deal with the relief of famine. It was not said the taxes were set aside as part of the Famine Fund, as it is called.

(*Mr. Naoroji*) You are reading now an extract from the report of the Parliamentary Committee?—I quoted from a report by a Parliamentary Committee, of which Lord George Hamilton was president.

(*Chairman*) Yes, but I think the legislation itself is better evidence than what somebody said about it?—It depends on the view you take of the matter. I have in my hand here a despatch written that very year by the Secretary of State to the Government of India on this same subject of famine insurance. Lord Cranbrook<sup>1</sup> there also uses precisely the same language. I will read from that after I have finished the extract from the Committee's report, but he uses precisely the same language.

Yes?—This is what the Parliamentary Committee says:

The object, therefore, of this Famine Insurance Fund was, by increasing the revenue, to avoid the constant additions to the debt of India which the prevention of periodical famines would entail, by either applying that increase of income to works likely to avert famine, and thus obviate famine expenditure, or by reducing annually debt contracted for famine, so that if famine expenditure should again become inevitable, the reduction of debt made in years of prosperity would compensate for the liabilities incurred during scarcity. This increase of taxation was sanctioned by the Secretary of State in Council on this understanding. Last September, the Home authorities received a despatch from the Indian Government adverting to the difficulty of discriminating between works strictly productive, and those only admissible as providing against the effects of famine, and proposing 'to accept a yearly maximum deadweight charge to be fixed, as experience may suggest, for works constructed as productive, whether under the existing strict conditions, or, as now proposed, in order to prevent famine or give protection from famine, or diminish the expenditure for the counteraction of famine, if it occurs.' In other words, 'they would limit to a specific maximum amount the net expenditure for the interest on the capital cost of all such works and their maintenance, after setting off all the net income yielded by the works.' In addition to the annual loss entailed by 'their net existing liabilities,' they proposed to add an annual sum not to exceed 25 lakhs of rupees, and they thought that that amount might form a primary charge upon the Famine Insurance Fund 'on the consideration that the construction of any works not fully productive, according to the existing definition, which may be thus facilitated, will cause an equivalent reduction of the ultimate liability on account of famines when they occur.' The first portion of this proposition has been already suggested by the Indian Government in 1876, and rejected

1. see foot-note on p. 33.

by the Secretary of State in Council. The latter part of the suggestion by which it is proposed to permanently assign 25 lakhs of rupees of the Famine Insurance Fund, in order to raise money for the construction of famine works, not fully productive, is an entire inversion of the object for which the fund was raised. This increase of taxation was justified as necessary, in order to meet, as far as was possible, famine expenditure for the future out of income; but to immediately appropriate a portion of the income so raised to pay the interest of new loans was a proposal which, in the opinion of your Committee, the Secretary of State in Council had no option but to reject.

Lord George Hamilton is now Secretary of State for India, and, judging from a recent debate in the House of Commons, his Lordship seems to have forgotten what he wrote in 1879 as chairman of that Parliamentary Committee. The Indian people, however, have a better memory. There is another document that I would also put in here with your Lordship's permission, and that is a despatch\* written by Lord Cranbrook on the 20th February, 1879, on this same subject of the Famine Insurance Fund, and therein he expresses precisely the same views. In paragraph 6 he says :

It had been laid down by Lord Northbrook in 1874, 'that, besides a fair surplus of income over ordinary expenditure, such a margin should be provided, in addition, in ordinary times, as shall constitute a reasonable provision for meeting occasional expenditure upon famines'; and in referring to the subject in the debate of the 27th of December, 1877, Sir John Strachey mentioned the argument of Lord Northbrook, 'that, if this surplus were devoted to the reduction of debt, or to preventing the increase of debt for the construction of reproductive or public works, in years of ordinary prosperity, there would be no objection to the public expenditure exceeding the public revenue in occasional years of adversity, so that we might then, without objection, meet the charges on account of famine from borrowed funds, to the full extent to which our surplus had permitted the discharge of debt or prevented its increase.'

Then Lord Cranbrook proceeds to say :

The cost of the famines was estimated, on an average of years, at about 1,500,000*l.*, and provision was made for meeting this expenditure by measures of financial decentralisation, and by new taxation. 'The Government of India,' said Sir John Strachey, 'intends to keep this million and a half as an insurance against famine alone; . . . we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose; and I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.'

That is a quotation from Sir John Strachey's speech which Lord Cranbrook has given here. Then he proceeds to show how the hypothecation of 25 lakhs of rupees would be an inversion of the fund.

The whole thing is, in fact, stated as we have it there in the Parliamentary Committee's report, which I have already quoted. Further, in 1884 there was another Parliamentary Committee<sup>1</sup> on Indian Railways, and this Committee also went into the subject of the Famine Insurance Fund. Lord George Hamilton was also a member of this Committee, Mr. Arthur Balfour was a member, the late W. H. Smith was a member. This Committee of 1884 wrote about this question as follows :

Having regard to the certain recurrence of periodical famines, and being of opinion that the cost of famine reliefs should not be added to the permanent debt of the Company, the Government of India established, in 1878, an annual Famine Insurance Fund of 1,500,000*l*. This sum was fixed upon the calculation that famine reliefs would cost, in every 10 years, 15,000,000*l*. And the additional taxation required to provide the Famine Insurance Fund was sanctioned by the Secretary of State in Council, on the understanding that the revenue thus raised should be applied to the construction of works likely to avert famine, or to the reduction of debt contracted for famine expenditure. Proposals have more than once been made by the Government of India to hypothecate a portion of the annual Famine Insurance Fund to the payment of interest on money borrowed for the construction of railways. But the Secretary of State in Council has declined to sanction these proposals, and the Select Committee of 1878-79 were also of opinion that the appropriation of a part of the Famine Fund for the payment of interest on loans raised to be expended on famine works, not fully productive, would be an entire inversion of the object for which the fund was created.

They repeat that again later on too ; that is the gist of the whole thing.

(*Sir James Peile*) That is all very well, Mr. Gokhale, but has not that been substantially carried out?—No. You pay now the interest of the Bengal Nagpore and Indian Midland Railways out of the Famine Insurance Fund.

That is looked upon as a protective line, but that is a small item. What I wish to draw attention to is the statement made by Sir James Westland in the last financial statement. You saw, no doubt, that in 15 years 17,500,000*l*. of famine grant surplus had been actually expended. You object to one item, but I think there were 10,000,000*l* on railways and 5,000,000*l* on the redemption of debt, the total being 17,500,000 *l*. in 15 years. Now, there was no absolute legal obligation

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1. The Select Committee was appointed "to inquire into and report upon the necessity for more rapid extension of railway communication in India, and the means by which this object may be best accomplished, with special reference to the report the Famine Commissioners, and with due regard to the financial condition of

to put aside the 1,500,000*l.*, whether there was a surplus or not. There must be a surplus before you can put it aside, and the Government of India have actually managed to put aside 17,500,000*l.* in 15 years; also they have lately decided that, the protective railways being now completed, it is no longer necessary to put aside so large a sum as 1,500,000*l.* surplus, but that 1,000,000*l.* would suffice. I want to know what your grievance is?—I believe Mr. Jacob has given all the figures connected with this, and they are published in one of the appendices of the first report of the Commission. There the figures are given from 1879 or 1880 up to the present. During five years, during Lord Dufferin's time, the allotment for the famine grant was very small; and then for several years past this hypothecation of a portion for paying the interest on railways, which was expressly condemned by two Parliamentary Committees, and by the Secretary of State twice, has been also now allowed, and our grievance is in respect of this; when the fund was first created, it could be devoted to two objects only, namely, either to capital expenditure on the construction of productive public works, or to paying off debt; on no third object was it to be used.

Not on direct famine relief?—I beg pardon; that was, of course, implied; in fact, Lord Cranbrook called on the Indian Government to transmit every year half the money to England to be invested, or paid off in discharge of previous liabilities; that was the original idea of the fund. How the fund is now administered is well known.

(*Chairman*) The Government of India has changed its view on certain matters; it is not bound not to change its view as long as it maintains a sufficient reserve?—No doubt; but special taxation was imposed.

(*Sir James Peile*) I combat that, and ask: is there a special taxation?—There is.

There is the law?—And there are the speeches of Sir John Strachey.

And there are the Acts?—I should take my view of them from—  
More from what people say than from legislation?—More from what a responsible Secretary of State says.

Than from legislation?—The Secretary of State sanctioned the taxes.

Than from the legislation itself?—I have not seen the Act; I cannot say anything.

You have not looked up the Act?—I did not think anyone would dispute what the Secretary of State himself had said about his own object.

Not when he legislates and puts his thoughts into an Act. Is not what he says in an Act more important than what he says as an *ad hoc* dictum?—Here he distinctly says that the legislation was sanctioned on this understanding; the understanding of the Government of India would not appear in the Act.

Your claim is upon a pledge given by the Government, not upon any legislation?—Yes.

(*Sir William Wedderburn*) It is not upon any legislation, but it is upon a personal pledge given by the Government that they were raising the money for a special purpose, and making it a sacred trust. That is your ground?—Yea.

The Government never made it a sacred trust; such words were only used?—Lord Lytton said, "to say anything else is to insinuate a calumny"; those were the words he used.

(*Chairman*) There have been quotations made from Sir John Strachey, but I think it rather interesting to take the whole of his statement. Sir John Strachey, in explaining, on the 27th of December 1877, to the Legislative Council in India the measures that had been taken, said :

It is the firm intention of the present Government to apply the funds now to be provided for this special purpose, strictly to the exclusive objects which they were designed to secure. In such matters, no doubt, Governments cannot fetter their successors; and nothing that we could now say or do would prevent the application of this fund to other purposes. Without thinking of a future far removed from us, events might, of course, happen which would render it impossible even for us, who have designed these measures, to maintain our present resolutions. So far, however, as we can now speak for the future, the Government of India intends to keep this million and a half as an insurance against famine alone. In saying this I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security. Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose;

and this is the point which has been relied on after the statement that has been quoted :

And I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.

Here, in the speech in which Sir John Strachey explains the Bill which he is going to bring in, he especially says that, if it should be proved by experience in the future that the annual appropriation of a smaller sum will suffice, it may be varied, and, further than that, he expressly says that he cannot bind future Governments. Now, I do not think you can say that such a speech as that creates a sacred trust which can never be departed from. And, further than that, I would ask you this: Would you really mean to say that because a statesman said, 20 years ago, that a certain charge is necessary, that that statement is to be binding for all time?—In regard to the first part of your Lordship's question, I may say I was aware of that quotation from Sir John Strachey's speech. It was used in the recent debate by either Lord George Hamilton or Sir Henry Fowler. I was careful, therefore, not to make any quotation from Sir John Strachey myself. That quotation is one given by the Parliamentary Committee and another by Lord Cranbrook himself, and I only read those two extracts; but Sir John Strachey was there only speaking as a member of Council; Lord Cranbrook, however, showed on what grounds the formation of the fund and the imposition of the tax were authorised by him. I believe that ought to dispose of that first question. In regard to the second, I quite admit that a mere declaration made 20 years back need not always be binding, but the Government should openly come forward and say so. When Lord Dufferin, for instance, wanted to take away a large portion of the Famine Grant, what he should have done was this: he should have formally announced that the Famine Insurance Fund, for which extra taxation was imposed, no longer could be contributed to in that manner. In fact, what the Government did was to take advantage of the Famine Insurance Fund in that year, and escape the additional unpopularity which would have come to them, if this fund had never been created, from the imposition of new taxes. If there had been no Famine Insurance Fund in 1886, Lord Dufferin would have been compelled to put on certain extra taxes, when he wanted extra expenditure. But, having been able to take advantage of the Famine Grant as it stood, they escaped that unpopularity.

Now, it appears to me to be the judgment of the Government at present that the end for which the Famine Fund was established has been accomplished, that this sum of 17,000,000*l.*, which has been applied, has accomplished the end, and that they are in a position now to reduce the annual sum to 1,000,000*l.* What do you say about that? Do you consider that they are entirely wrong, that the works up to the present are not sufficient, and that this dictum of 20 years ago is to be as if it were a sacred communication from on high which is never to be departed

from, namely, that 1,500,000*l.* in good weather or bad weather, adversity or prosperity, is to be spent by the Indian Government, whether it is wanted or not? — I do not say that, but I would say this, that the reduction of the Famine Grant from 1,500,000*l.* to 1,000,000*l.* was decided on about a year and a half or two years ago, when the present famine had not visited the country; in fact, the Government seemed to think that, because for a few years there had been no famine, therefore they need not take that possibility into account. The present famine has profoundly modified the situation; I should expect a change of view in the Government.

(*Sir James Peile*) They never said they thought that there would never be any more famine? — They have not said that, but they thought they had made adequate provision for famine.

Did you see what Sir James Westland said as to the results of the Famine Grant, that, though the present famine is a very much more widely extended one than the famine of 1876, yet the Government anticipated that the expenditure would be considerably less; and that he attributed to the construction of protective railways from the Famine Insurance Grant? — That remains to be seen; if the famine extends over two years as it did 20 years ago, I fear things will be too horrible to think of. That is my view.

It is not necessary to assume that, in order to give a dark colour to the picture? — I do not want to, but you must compare like with like. That famine lasted two years; how can you compare that with this famine?

That is not what Sir James Westland did? — I have not read that speech; surely he would not compare two years with one.

(*Sir William Wedderburn*) If the Government determined to vary that original arrangement and reduce the 1,500,000*l.* to 1,000,000*l.*, do you not think it would have been a reasonable thing also to reconsider the special taxes, by which that money was raised, and, if only 1,000,000*l.* was wanted, to reduce the taxes that were to produce that sum? — 'Yes.

(*Chairman*) I have a paper before me, which Sir William Wedderburn gave me, on the subject of the Famine Fund, and it carries the receipts from assessed taxes up to 17,000,000*l.* I am informed that that column is not a correct one. First of all, it leaves out the local assessments which were made for the purpose, and, next, it includes the extra money which was obtained when the license duty was converted into an income-tax; and I am informed that practically these extra cesses and these license duties, at the rate at which they



were imposed under the Bill of Sir John Strachey, would not amount to more than 1,000,000*l.* a year?— My Lord, the Secretary of State, writing at that time, admits that the extra taxation was intended to raise this sum of a million and a half. That puts the Indian Government out of Court, I believe, on this point; it is too late now to say that the extra taxes raised less than that amount.

I do not think it is so, begging your pardon; what I believe to be the case is that he put the insurance against loss of revenue and actual expenditure on famine at not less than Rx. 1,500,000. The first step taken to meet this charge was to extend the system of decentralisation of provincial finance, by which the Imperial revenue was relieved by about Rx. 400,000 a year; that is to say, Rx. 400,000 was added to the Imperial surplus. This left Rx. 1,100,000 to be obtained by taxation, and the extra taxation imposed was, therefore, to be Rx. 1,100,000 for this purpose, and, as a matter of fact, Rx. 1,100,000 was the produce of the extra taxation?— I would only make one observation, if your Lordship will allow me; I accept those figures which have been just now given by your Lordship. What I mean to say is that that is comparatively a small point. My complaint is twofold. First of all, they have been paying interest out of the fund, which was repeatedly declared to be an entire inversion of the fund; secondly, when they first diverted the fund to other purposes, they never made an express declaration that they were so doing, which they were bound to make in view of the pledges which they had given before.

(*Sir James Peile*) I want to revert for a moment to what I said about the resources of the people in time of famine, as shown in the ornaments being sent to the mints?—Yes.

I wish to read a paragraph from the Indian Currency Committee's Report: "During the period of the great famine of 1877 and the following years, large quantities of silver ornaments were minted. In three years no less than Rx 4,500,000 were thus turned into money"?—How much?

Rx. 4,500,000?—But for what population?

That you may take as a general statement. The famine affected the people in Madras and Bombay?—But it would indicate a very small amount of relief.

That is not the question?—Then what is it?

(*Sir William Wedderburn*) But from the fact of their ornaments having been sacrificed in the last famine we may assume that they

are in a less favourable position to meet the present famine?—Certainly.

(*Sir James Peile*) Why?

(*Sir William Wedderburn*) Unless we know that they have been replaced.

(*Sir James Peile*) But do you know that they have not been replaced?—You must also look to the habits of the people. The parting with ornaments in our case is like parting with hats and clothes and other things looked upon as necessary by the English people.

(*Chairman*) The Indians are luxurious?—My Lord, it is only a small ornament here and there. But your Lordship may calculate how much that Rx. 4,500,000 is per head. The people live in the most simple manner possible. Each girl that is married feels that she must have some small silver thing.

It shows a taste for luxury, which is expensive?—They spend next to nothing on their daily wants, and on their clothes and other things.

But, with regard to what Sir William Wedderburn says, I think we have what looks very much like a proof that these ornaments have been replaced, because a very large amount of silver and gold has gone into India, which has not, as far as our returns go, been exported?—But who has absorbed that, that is the question. What classes have absorbed the gold and silver?

It only shows, as I say, the great taste of the Indian people for ornaments, which is a form of luxury?—Just in the same way they have to spend large amounts on funerals. They groan under the system, and have to go to the money-lender; but they must do it; it is the social life of the people.

(*Sir William Wedderburn*) For a respectable Hindu woman to give up all her ornaments would be like a woman in this country parting with her wedding ring, so to say?—Yes. That would be a proper parallel.

(*Chairman*) Now, would you pass on to the Civil Departments of the Bombay Presidency?—Yes, I now come to a criticism of the Civil Departments of my Presidency, on which subject, I understand, the Commission would like to hear my views. I may mention that a very exhaustive memorial criticising the working of these departments, from the financial point of view, was submitted in 1886 by the Poona Sarvajnik Sabha, of which I was Hon. Secretary for seven years, to the Finance Committee appointed by Lord Dufferin. In so far as the

situation has undergone no change, that criticism has only to be briefly repeated on this occasion. Where the situation is altered, I must modify our observations of 10 years ago.

*General Administration*—The total charge under this head in 1884-85 was about 12½ lakhs of rupees. In 1894-95 it was over 14½ lakhs. A large part of the increase is due to exchange compensation allowance. About half a lakh is due to the transfer of the charges of the Inspector-General of Gaols, Registration, and Stamps to this head. The increase in the Civil Secretariat is striking, being about Rx. 6,000. The expenses of the staff and household of the Governor have also increased from Rx. 8,600 to over one lakh. It has long been felt that the Bombay expenditure under both these heads is on an extravagant scale. In Madras they manage things much cheaper. Madras is a larger Presidency than Bombay, and yet, in 1894-95, its Civil Secretariat expenditure was only Rx. 30,640, as against Rx. 41,400 for Bombay. Similarly the staff and household expenditure in Madras in that year was Rx. 4,600, as against Rx. 10,700 for Bombay. On this point I would suggest that the Staff and Household allowance in Bombay should be commuted into a lump sum of about Rx. 6,000 a year. The intermediate supervising staff of Commissioners of Divisions also comes under this head. Its cost in 1894-95 was over 3½ lakhs. This item of expenditure is a very heavy and perfectly needless drain upon the revenues. This institution of the Commissioners introduces an unnecessary step between the district and the headquarters of government, causes culpable delay in the speedy despatch of public business, and is opposed to the proper efficiency of the district government. The Commissionership of the Central Division was, moreover, created 20 years ago, in consequence of the pressure of famine, and it ought to have been abolished as soon as the pressure had disappeared.

*Land Revenue Administration*—The charges under this head are about 65 lakhs, and have for some years past been more or less steady. In the Presidency proper there are 12 senior and 9 junior Collectors, with 41 Assistant Collectors. There is besides a large number of supernumeraries. Then there are about 50 Deputy Collectors and a large number of Mamlatdars, one for each taluka. On an average, each district has one Collector, two assistant collectors, with a mamlatdar for each taluka. When the Revenue Department was first organised, the other Departments of the State were not formed, and the Revenue officers were the only officers whom Government could regard as its principal executive officers. Collectors therefore found it almost impossible to conduct their duties efficiently, and their staff had to be strengthened by the addition of assistant collectors:

necessarily a considerable waste of funds and effort. Even under the existing system, if these Departments were amalgamated, one supervising establishment would do where we now have three. The change will be attended with advantage to the agriculturists and relief to the finances of the country.

Do forests cover a large space in Bombay — I understand that it is to Bombay that you are addressing your remarks? — Well, they cover a fair proportion, I believe; I do not think that the forests are themselves excessive. I am in favour of having large forests; but the manner in which the forests are worked is what I find fault with.

You are not opposed to the protection of forests? — No, I am not.

The great forest district is Madras, is it not?—I am not quite sure about that.

When you say that the manner in which the Forest Code is applied causes great discontent and irritation among the rural classes, gradually culminating in some parts in outbreaks of lawlessness, does that arise from the fact that, until the Forest Department was constituted on its present footing, great waste of forests was taking place, and that the local inhabitants resent any interference with their power of waste? Or do you think that it is possible to preserve the forests completely in the interests of India without arousing such a feeling? — This used to be the ground of complaint at one time, when the Forest Department was first formed; now the people have got used to that. But the principal complaint now is that the department tries to work itself as a department of revenue; and, therefore, the poorest classes, the lowest tribes, who live a nomadic kind of life in the forests, who gather fruit and small branches of trees that fall down and so on, and sell loads of small wood in bazaars, are being restrained from doing these things. Their ordinary source of livelihood is thus being stopped to them, and they are now taking to assaulting Government officers, which is a very serious thing. Only a few months back there was an outbreak in the Kolaba district, and there was another outbreak after that. The Deputy Collector was assaulted and the poor, ignorant people exacted from him a bond in writing that they would get cheaper food-grains and salt, and that they would be allowed to take wood and all that sort of thing. The manner in which the Forest Department is worked is so entirely unsympathetic that the people are feeling greatly irritated.

When you speak of the Forest, Irrigation and Agriculture being all at present separate departments, each working in its own orbit, though they are all supposed to discharge duties practically allied to each other, may it not fairly be said that forestry is a special science? —

but during the last few years, most of the other Departments have been fully organised, and each Department has now its special staff of administrative and executive officers. Under these altered circumstances, therefore, there no longer exists the necessity of maintaining the staff of assistant collectors under the District Revenue Officer, except so far as the necessary provision of training some few covenanted civilians for district work might require. For this purpose, one instead of two or three—the present number of assistants—would be more than sufficient. This change, without affecting the efficiency in the slightest degree, will relieve the State of a needless and costly burden. The district in India is the proper unit of administration, the collector being the chief representative of Government in the district. The present scheme of district administration, however, is radically defective, and entails a large waste of public money. The great multiplication of Central Departments which has taken place in recent years has, while imposing a heavy strain on the finances, considerably weakened the position of the collector, and the machinery of administration has, in consequence, become much more vexatious to the people than it was before. The great fault of the existing system is that the number of inspecting, controlling, and supervising officers is wholly out of all proportion to the number of real workers. Government, in all its departments, fixes the salaries of its officers high enough to show that it trusts these officers, and expects from them efficient and conscientious work; but, after showing this mark of confidence, it imposes check upon check, as if no officer could be trusted to do his duties. Perhaps, such a state of things was inevitable in the early days of British rule, when everything had to be properly organised, and various administrative reforms had to be carried out. But now that things have settled themselves, and most of the work done is comparatively of a routine character, it is a sheer waste of public money to maintain such a system of checks and over-centralization. I have already spoken of the Divisional Commissioners, who are at present only a fifth wheel to the coach. In the North-West Provinces, Punjab, and Bengal there are, besides the Commissioners of Divisions, Revenue Boards of two or three members. This double or treble machinery serves no useful purpose beyond a nominal but very often vexatious check. It may be admitted that some check is necessary, but too much check defeats itself by becoming either vexatious or nominal or both. What is wanted is a check more real, by its being more on the spot. The district being a unit of administration, the collector's position should be that of the President of an Executive Board, consisting of his Revenue, Police, Forest, Public Works, Medical and Educational assistants, sitting together each in charge of his own department, but taking counsel in larger matters

with the heads of the other departments under the general advice of the collector-president. To this Official Board the Chairmen of the District and Municipal Boards may be joined as non-official representatives. These 10 members, thus sitting together, and representing as many departments, would form the best check on each individual department. With such a self-adjusting, simple, and effective system at work, the present complicated and less efficient system of check and overcentralization might be dispensed with to the great relief of the people and of the finances of the Presidency. In fact, just as they have now got provincial decentralization, so if there was district decentralization, things would evidently improve.

The next point in your paper, Mr. Gokhale, is the Forests?—Yes. The expenditure under this head was Rx. 96,400 in 1891-2. In 1894-5 it was Rx. 103,400, an increase of Rx 7,000 in three years. The increase was mainly due to exchange compensation allowance. The administrative charge in this department is excessive. The salaries of the Conservators, Deputy Conservators, and Assistant Conservators, who, with the exception of one man, are all Europeans, amount to no less than 3½ lakhs of rupees, or one-third of the whole expenditure. The Department, moreover, is working in a most unsatisfactory manner, causing immense discontent and irritation among the rural classes—a discontent gradually culminating in some parts in outbreaks of lawlessness. It also comes frequently into conflict with the Revenue Department. If the work be handed over to and placed under the charge of the Collector with a Forest Assistant, its operations will be much less vexatious to the people, the conflict between it and the Revenue Department would be avoided, and the arrangement would result in a saving to the State. The Forest Department is at present controlled by 3 Conservators, 19 Deputy Conservators, and 9 Assistant Conservators. There are, besides, about 20 extra assistant conservators. This excessively costly staff could now be reduced and replaced by much cheaper agency, if the suggestion made above were carried out. Moreover, the work done by the lower-paid establishment should be, as far as possible, handed over to the village officers, who would do it much more efficiently and cheaply as a small increase in their existing remuneration would be deemed by them as adequate payment for the extra work.

Forest, Irrigation, and Agriculture are all at present separate Departments, each working in its own orbit, though they all are supposed to discharge duties practically allied to each other. The promotion of the agricultural industry of the country is the common object of all; but, the Departments being separate, work on their own lines—not always convergent to the main end. And there is

necessarily a considerable waste of funds and effort. Even under the existing system, if these Departments were amalgamated, one supervising establishment would do where we now have three. The change will be attended with advantage to the agriculturists and relief to the finances of the country.

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Yes, that is so; but forests are for the benefit of agriculture; that is the principal object of forests, and under my scheme, if the Collector was made the supreme authority in the district, he might have a Forest assistant and an Irrigation assistant and an Agricultural assistant.

You do not propose to send the Agricultural assistant, who knows nothing about forestry, to take care of forests? — Oh, no, not at all; I only want the Forest assistants' conflict with the other departments to cease, which would be secured if they were all subject to one man subordinate to him.

Now what would you wish to tell us upon the subject of the police? — The charge under this head in 1894-95 was over 56 lakhs of rupees. In 1892-93 it was less than 51½ lakhs. The increase is chiefly due to the reorganization scheme carried out in 1894 at an annual cost of over 4 lakhs for the Mofussil police, and about 1 lakh for the police of the Presidency town. As in the case of several other departments, this department is largely over-officered in the upper staff. In 1884, the Inspector-Generalship of Police was created with a salary of Rs. 2,400 a year. The creation of this office was not favoured by the Government of India itself for a long time, but it yielded at last to the persistent pressure of the local Government. This needless centralization, in addition to being expensive, has disturbed the harmony which previously prevailed in the district administration, when the district police officer was a direct subordinate of the Collector of the district. The Police Department has no policy of its own to carry out and it may well remain directly under the Collector in each district. I may mention that men like Sir Barrow Ellis were strongly opposed to the creation of the Inspector-Generalship.

The superior staff has been constantly on the increase. In 1879 the number of District Superintendents and Assistant Superintendents was 22. In 1886-87 it was 30. It now stands at 33, all Europeans. There are, besides, about nine probationers. The institution of the grade of police probationers has all along been regarded by the Indian public as a great scandal, and evidence was offered before the Public Service Commission that all the 13 probationers that had till then been appointed were relatives of persons occupying high posts in the administration, men who had failed in qualifying themselves for any other career.

(Sir James Peile) There are no probationers now, are there? — Well, last year there were two or three appointed. No probationers; by probationers you mean men appointed in India by the Provincial Government? — I do not know by whom appointed, but the civil list of January gives three appointed last year.



From England, I think? — I know that the condemnation of the appointments by the Provincial Government has led to a change; but how far the change has gone, I am not in a position to say.

(*Chairman*) The probationers are Europeans?—Oh, Europeans, of course. But while the superior staff is excessive and too costly, the lowest grades in the Department, the class of Constables, requires large improvement. A much better type of men must be attracted to the ranks by offering adequate inducement. It is no exaggeration to say that the Indian Police of the present day, outside the Presidency towns, are a thoroughly incompetent, unscrupulous, corrupt body, causing vast misery to the bulk of the people. They are often found to be themselves actively aiding and abetting crimes, especially crimes connected with property. Outside the Presidency towns there is no detective service worth mentioning. A large increase of expenditure is necessary, if the department is to be effective for protecting, and not harassing, the general population.

(*Sir William Wedderburn*) The quality of the rank and file would be very much improved if there were a reasonable prospect of good promotion?—I should think so.

A better class of men would come into the service?—Yes.

And if the positions that have been given to police probationers were given to experienced men who had worked their way up, that would do a good deal to improve the style of men in the police?—Certainly.

(*Chairman*) Roughly speaking, what sort of number is the police force in the Bombay Presidency? — I should like to refer to the latest Administration Report before answering that question.

Could you not give us any idea; is it 10,000, 15,000, 20,000?—I must consult the Report; I have got one here; but I believe last year, when the new reorganization scheme came on, they made additions also to the lower ranks.

(*Sir James Peile*) The reorganization was made lately? — Last year; they offered a little better pay also.

And in other provinces also the police has been reorganized lately? —I have read so in some newspapers, but I do not know anything definitely.

There is a movement generally towards reorganization; improving the pay, or both the promotion and the pay? — And so far that is good.

(*Sir William Wedderburn*) The Provincial Governments would be glad enough to do it, if they had the money, I suppose?—Certainly, and therefore we are fighting for more money being given to the Provincial Governments.

(*Sir James Peile*) The proposals to reorganize the police of a province come up to the Government of India and are approved by them, and come to the Secretary of State to be sanctioned. If he sanctions them, an arrangement is made about the money; the money is made available by the Government of India for the use of the province?—I do not think so; the Police department under the decentralization scheme is entirely a provincial department.

Certainly; but, if new expenditure is countenanced by the Government of India, they make an arrangement for supplying the money?—They have not done it in the case of these five lakhs. Not only that, but the exchange compensation threw a large portion on the Bombay Presidency not contemplated at the time of the contract.

Is it five lakhs in Bombay?—Five lakhs in Bombay; I think they thought it too small to need special assistance.

(*Sir William Wedderburn*) You mention that, as a body, the district police are an unscrupulous and corrupt body. Is not it a very great argument for the extension of local self-government, that it gives the power in the villages to the respectable villagers, instead of to these men who are picked up in the bazaars, and whose object is to get more power rather than to do any good work?—Yes, that is so.

(*Chairman*) The police force in Bombay appears to be very nearly 19,000; of that, may I take it that 38 are Europeans?—No; 38 is the number of the Superintendents and Assistant Superintendents.

Yes, then we come to the inspectors; are the inspectors European?—Some of them are Europeans and some are natives. Their salary stops at 250 rupees a month.

I suppose not many inspectors are Europeans?—There are some inspectors who are Europeans. I know of some. I believe it is about half and half. I am not quite sure, but it would be like that.

There are 277 deputy inspectors; are they natives or Europeans?—The deputy inspectors, I believe, must be natives for the most part.

And the sergeants or head constables?—They must be all natives, except a very few in the Presidency town.

When you say of the police that they are a thoroughly incompetent, unscrupulous, corrupt body, causing vast misery, I find that this

large force of men is chiefly officered, except quite at the very top, by native officers. Does that look to you as if the native officers were very competent? — That is not my point, my Lord; my point is that the rank and file consists of such a low class of men that it is impossible to make them efficient.

But what I mean is that the actual discipline of these men lies in the hands of native officers? — The Superintendents are, in the first instance, responsible.

And I want to ask you whether you are satisfied—whether that is a good result? Because, native officers being in charge of these men, the only thing that you can say about them is that the men, for whose discipline these native officers are responsible, are a thoroughly incompetent, unscrupulous, corrupt body?—If the responsibility is to be apportioned in that way, the Superintendents and the District Superintendents will come in for their share first.

At the top? — Yes. At the top.

But the actual discipline, you must pardon me for saying, throughout the country must lie in the hands of this large force of native officers?—The better classes do not go into the force, because there are no good prospects; they must stop at a certain level. Above that all are Europeans, so they do not care to go into the service.

(*Sir William Wedderburn*) Do you not think we could get for the police men as trustworthy and men as well educated for the higher grades as we have for the subordinate judicial service—that same class of men? — Yes, there is no reason why we should not have them if equally good pay were offered.

And that class of subordinate judges in India is universally respected and trusted by the people?—Oh, yes, and by Government too; they have always been saying that they are a very efficient body.

(*Chairman*) You advocate the necessity of a large increase in the expenditure on education, I think?—Here, too a large increase of expenditure is necessary, if Government desires to discharge its duty adequately by the people. The charge under the head of education at present is about 20 lakhs, of which 3 lakhs are consumed in direction and inspection. Our percentages are no doubt slightly better than those for the whole of India, but that is hardly a matter for congratulation, seeing that what is being done is almost as nothing compared with what ought to be done. So long as we have only 9,000 public primary schools for over 25,000 towns and villages, and about 80 children out of every 100 of school-going age are growing up in utter darkness, so long the educational policy of the Government will always

be a reproach to it. In this connexion there is one point to which I am anxious to draw the particular attention of the Commission. That point is the absolutely inelastic character of the financial provision which is made for primary education in rural areas. In these areas, primary education is now entrusted to local boards, Government contenting itself with a grant-in-aid to these boards of one-third the total expenditure. Now, the only revenue that these boards have at their disposal is the proceeds of the one-anna cess, and these proceeds are devoted, in certain fixed proportions, to primary education, sanitation and roads. As our revenue settlements are for periods of 30 years, it follows that during these periods the proceeds of the one anna cess must be more or less stationary, which means that the amount that local boards can devote to primary education being a fixed proportion of those proceeds, must also remain more or less stationary during the currency of each period of settlement; and as Government will, as a rule, contribute only one-third of the whole expenditure, i.e. one-half the amount spent by the boards, it is clear that the resources that are available for the spread of primary education are entirely inelastic for long periods. I believe Sir James Peile proposed, when he was Director of Public Instruction in Bombay, that local bodies should be empowered to levy special educational cesses if they pleased. In the absence of Government finding more money for the education of the masses—a duty definitely accepted as a sacred trust—this seems to be the only possible solution of the difficulty.

I now come to *Law and Justice*. The charge under this head in 1894-5, excluding the cost of jails, was 46 lakhs of rupees. Of this sum the expenditure on the High Court came to about 6½ lakhs. It has long been a matter of complaint that our High Court is managed on a more extravagant scale than that of Madras, the expenses of the latter in 1894-5 being less than 5½ lakhs. The great item of difference is the expenditure of the original side, which in Bombay is about 2½ lakhs, and in Madras not even one lakh. The appellate side of the Bombay High Court, which does the appellate work for the whole Presidency, is maintained at a cost of about one lakh of rupees only. The expensiveness of the High Court is, however, not due so much to the cost of the machinery employed as to the monopoly enjoyed by solicitors and barristers, whose fees represent a charge on litigation which is almost prohibitive. It is, indeed, high time that the system of the civil and criminal administration of justice in Bombay was improved so as to render it less costly.

(Sir William Wedderburn) You mean in the city of Bombay?—In the city of Bombay, I mean. The Finance Committee of

salaries above Rs. 400. They are all held by Europeans. *Accountant-General's Department*—The Accountant-General and Deputy Accountant-General are Civilians. There are 5 posts under them with salaries ranging between 400 and 1,000 rupees, 4 of which are held by Europeans. *High Court Judges*—Out of 7 judges, 2 are Natives. *Government Law Officers*—There are 7 Government Law Officers, of whom 6 are Europeans. Four of these get Rs. 2,000 a month and above, one gets Rs. 1,000, and the sixth man gets Rs. 250. There is only one Native among these who is paid Rs. 300 a month. *Officers of the High Court*—There are 14 officers with salaries ranging between 400 and 2,500 rupees a month. Of these 6 are Natives. *Prison Department*—The Inspector-General draws Rs. 2,000 a month, and there are under him 11 officers receiving Rs. 350 to Rs. 1,200 a month. They are all Europeans. *Cantonment Magistrates*—There are 11 such Magistrates with salaries ranging from Rs. 100 to Rs. 1,250 a month. They are all Europeans. *Police*—There are 54 officers in this Department with salaries ranging between Rs. 250 and Rs. 1,800 a month. Of these only 3 are Natives, and they are all drawing Rs. 250 a month. There are, moreover, 5 officers in charge of Railway Police. They are all Europeans, and draw salaries ranging between Rs. 350 and Rs. 1,000 a month. *Education*—The Director is paid Rs. 2,500 a month, and under him there are 45 officers receiving between Rs. 400 and Rs. 1,500 a month. Of these only 10 are Natives, and with one exception, they get either Rs. 400 or Rs. 500 a month; the one gentleman mentioned as an exception is a Native Christian and draws Rs. 633 a month. *Ecclesiastical*—There are 31 paid officers in this Department. They draw between Rs. 400 and Rs. 800 a month, and are of course all Europeans. *Medical*—The Surgeon-General draws Rs. 2,500 a month, and there are under him 59 officers drawing salaries between 400 and 1,600 rupees a month. Out of these only 4 are Natives. *Sanitary*—There are 7 posts in this Department with salaries between Rs. 400 and Rs. 1,200 a month. They are all held by Europeans. *Political*—There are 66 officers in this Department, drawing salaries ranging between Rs. 400 and Rs. 3,500 a month. This gentleman drawing Rs. 3,500 a month is at Aden. Only two of these are Natives, one of them drawing Rs. 400 and the other Rs. 450 only. *Public Works*—There are 83 officers in this Department, drawing salaries between Rs. 250 and Rs. 2,500 a month. Of these 23 are Natives. The Subordinate Judgeships and Deputy Collectorships are the only branches of the Public Service which are free from this practical monopoly by European officers. It may be mentioned that the posts in the special departments mentioned above are not reserved for a parti-

great advantage if the construction of storage tanks and wells in areas where the rainfall is uncertain were undertaken by the Government on a large scale and in a systematic manner. This was recommended by the Famine Commission; nothing has been done, however. As regards the Civil Works outlay, it is noticeable that the highly paid machinery of executive engineers, &c. is still kept up in all the Districts, though in several of them the expenditure on Civil Works from the Provincial revenues does not exceed a mere trifle, and the works required by the Local Funds are of a sort that far lower establishments can safely undertake. A reduction in the Executive Engineer's charges appears to be urgently called for.

(Chairman) Next you wish to call attention to the question of the monopoly of the higher offices by Europeans?—Yes. Similar criticism might be offered about the remaining departments, but I have no wish to weary the Commission with further observations of the kind. But there is one great evil common to all the Departments, and a few words on that may be allowed. This evil is the practical monopoly of all the higher posts by Europeans. The following analysis of the Civil List for the Bombay Presidency for January 1897 will make my meaning clear. *Covenanted Civil Servants*, or, as they are now called, Civil Servants of India. The total number of these Civil Servants attached to Bombay at present is 156, out of whom only 5 are Indians, these 5 having entered by the competitive door in England. There are besides 8 statutory Indian Civilians. The Members of Council, the High Court Civilian Judges, the Commissioners of Divisions, the Secretaries to Government, the Senior Collectors, are all Europeans. *City Magistrates*—There are four City Magistrates, two on Rs. 800 a month, and two on Rs. 500 a month. The two former are held by Europeans (not covenanted), the two latter by Natives. *Land Records and Agriculture*—There are six posts in this Department with a salary of over Rs. 400 a month. They are all held by Europeans. *Forest Department*—There are 29 posts in this Department, with salaries ranging between Rs. 400 a month to Rs. 1,600 a month. They are all held by Europeans. There are 9 Europeans even below Rs. 400 a month. *Salt*—There are 12 posts with salaries ranging between Rs. 400 to Rs. 1,130 a month. Only one of these is held by an Indian. *Post*—The Postmaster-General is a Civilian. There are 11 posts under him with salaries above Rs. 400, out of which 7 are held by Europeans. *Telegraph*—There are 12 posts in this Department with salaries ranging between Rs. 400 and Rs. 1,000, and they are all held by Europeans. There are, moreover, 40 posts between Rs. 100 and Rs. 400 a month. Of these, also, 36 are held by Europeans. *Revenue Survey*—There are 10 posts in this Department with

1886 made certain proposals about reducing the cost of the Bombay High Court, some of which have not yet been carried out. The Clerk of the Insolvency Court still continues to receive fees, amounting to nearly the salary of a puisne judge, for only nominal work. The Judicial Department is specially a department for high posts in which the qualifications of Natives have been repeatedly recognised. The Public Service Commission recommended that one-third of the District and Sessions Judgeships should be set apart for Natives. No effect, however, has yet been given in practice to that recommendation. The question of the separation of judicial and executive functions comes under Law and Justice. It is contended on behalf of Government that such separation would entail extra expenditure of something like half a crore of rupees for the whole of India. Now, in the first place, this appears to be simply an over-estimate. Assuming, however, that the additional cost would be as high as that, it is much less than what was given to the European Services by one stroke of the pen in 1893 — I mean the Exchange Compensation Allowance. This year, in certain famine areas, sub-judges are entrusted with criminal work also, to the relief of revenue officers, and the experiment, so far, has succeeded very well. A similar experiment was tried during the famine of 1877 with equally satisfactory results. The Stipendiary Sub-judges and Sub-Magistrates may with advantage be relieved of a portion of their lighter work by the appointment of Honorary Magistrates and Arbitration Courts. Honorary Magistrates have already been appointed in the larger towns, but benches of such Magistrates may be constituted in Taluka towns with great advantage to the Government and the people. Further, the caste and trade Panchayats may be utilised for the purposes of settling civil disputes. There has already been a reform in the manner of disposing of petty cases, and Arbitration Courts have been recognised as cheap and efficient institutions for the administration of justice in small cases. If the same principle be extended to the courts of Subordinate Judges, and if Civil Juries are associated with the Sub-Judges in the disposal of suits involving larger amounts of money, as also in deciding questions regarding rights and customs, ample relief will be afforded to the superior Courts which may ultimately enable considerable economies to be effected.

Then I come to the *Public Works Department*. The expenditure under this head, including Provincialised Railways and Irrigation and Civil Works, was about 35 lakhs of rupees in 1894-95, out of which about one-third was for establishment. The first two items came to a little over 1 lakh, and the rest was for civil works. Except in Sind, we have no irrigation worth speaking of, and I think it would be a

cular class of men by statute, and, subject only to departmental rules, their bestowal is entirely in the discretion of the Executive Government. It cannot also be urged, in the case of most of these departments, that the appointment of Natives to the higher posts in them is ever likely to have an element of political danger in it. In the case of Collectorships they may say the Collector is the head of a district, and the Government would not care to entrust everything to a Native, but in the Forest and Accounts Departments what is there of danger?

Is there no possible danger in the case of the Police?—I have said most of the departments. I anticipated such a question, and therefore said "most of the departments." The question is essentially one of patronage. The word "patronage" I have taken from one of Mr. Lee Warner's<sup>1</sup> minutes; and our complaint is that the best part of that patronage goes to persons who are not children of the soil.

That completes the remarks which you would wish to offer upon administration?—Yes.

We have yet another branch of our inquiry which you have not as yet touched, namely, the Apportionment of Charges between England and India?—Yes; I have not much to say upon this. On the narrower ground which the Government of India have chosen to occupy in this matter, they have, I think, stated the case for India very effectively. I agree, however, with Mr. Dadabhai Naoroji and Mr. Wacha in thinking that the field, in respect of which equitable apportionment is necessary, is much wider than that. I will add a few observations to explain my meaning, *The India Office Charges*—These, which stand at about 273,000*l.*, ought to be borne by England, or, at least, divided half and half between England and India. The Secretary of State for India, as a member of the Imperial Cabinet, represents the Imperial Executive and discharges the Imperial function of general controlling supervision in respect of Indian administration just as the Secretary of State for the Colonies does for the Colonial Governments. The salary of the Colonial Secretary together with his office charges is borne on the Imperial Estimates. In strict justice, therefore, the India Office ought to form part of the Imperial Establish-

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1. *Sir William Lee-Werner*, I.C.S. (1846-1914); Collector, Poona and Satara; member, Education Commission (1882-83); Political Agent, Kolhapur (1886-87); member, Viceroy's Legislative Council (1893-95); Resident in Mysore (1895); secretary, Political and Secret Department, India Office (1895-1902); member, India Council (1902-12); author of 'Protected Princes of India', (1904); 'The Citizen of India' (1897); 'Life of the Marquis of Dalhousie' (1904).



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expended over many years? If it goes on for many years, it is rather an easy way of making out a large bill. I am not sure that we could not all make a heavy bill against somebody in that way?—It is the natural way of looking at the thing for those who think a charge is unjust.

What a charge we might make out in England now! It is easy for me to say that 200 years ago William III acted wrongly in going to war with France, and, therefore, to carry forward all expenditure that happened in consequence during that 200 years—we ought to add on interest—that is an easy way of raising a formidable charge, I think?—I think that is putting it in too extreme a manner; this is only a matter of 10 years; and this increase was carried out in spite of the protest of the people, and in spite of the protest of some of the advisers of Government.

But this charge will go on, and will increase every year. I am criticising only your cumulative bill. I am not criticising the position that you have a right to say that you think such-and-such charges are heavy?—I mention it because we make a claim for restitution of so much money on behalf of India, just as in the case of the Irish Commission, they have mentioned a certain sum in regard to which Ireland claims restitution. We get thus a total of 111 crores of rupees, unjustly imposed by the Imperial Government on us in furtherance of its own policy. If even half the sum were refunded to us, our ordinary debt would practically disappear.

I observe that that statement rests entirely upon the assumption, which is by no means proved, that the charge was unjustly imposed?—But take the First Burmese War. The Court of Directors protested against that, but the Imperial Government insisted upon its being undertaken. The first Afghan War—the Board of Control ordered it, and it was prosecuted under orders sent directly, and against the wishes of the Indian Government. The second Afghan War was also ordered direct from England by Lord Beaconsfield. In the case of the Egyptian War the Indian Government protested.

ments and be paid out of the Imperial Exchequer. I am, however, aware that it is urged on the other side that, under present arrangements, the India Office has to do much directive and executive work in regard to Indian Administration which the Colonial Office is not called upon to do, and I should, therefore, be satisfied if the charges were divided half and half between India and England. (2) *Army Charges due to recent additions*—These increases were due to the panic caused by the Penjdeh incident, and were alleged to be necessary for the better protection of the North-West frontier. Upper Burma was, however, subsequently annexed, British Baluchistan was organised, various frontier enterprises carried out, and almost the entire increased strength has been thus absorbed in these newly conquered territories, a fact which shows that they were not really required for purposes of the defence of the North-West frontier. Similar temporary additions were made at the same time to the Imperial garrisons in other parts of the Empire in view of an imminent conflict with Russia, Mr. Gladstone obtaining a large vote of credit for this purpose; but, as soon as the emergency passed away, the garrisons were reduced everywhere else. Only in India was the increased strength maintained. These additions were in excess of the maximum defence requirements of the country as defined by the Army Commission of 1879 in view of frontier and other contingencies, even Russia and Afghanistan making common cause. The additions were protested against, when made, by two members of the Viceroyal Council, including the Finance Member, who urged that, in the first place, they were not necessary, but that, secondly, if they were wanted, that was for purposes of the Imperial policy, and the Imperial treasury should pay for them. This increased force, therefore, of 30,000 troops, forms no part of our Indian Army proper, but is an Imperial garrison, and serves as an Imperial reserve, and the cost of it ought to be an Imperial charge.

In mentioning that two members of the Council protested, we must bear in mind that they were the Finance Member, and the Legal Member?—Yes.

As against that, one must bear in mind that the expert members of the Council thought differently, and considered that this force was necessary for the defence of India?—Yes, I am quite aware of that, but then my argument is this: if the force that was then added was necessary for the purposes of strengthening the North-West frontier, why have they not increased the army on account of Burma? They have now more territory thrown on their hands on account of Burma, British Baluchistan, Gilgit, and Chitral; and yet the same army

suffices, which means that at one time so much was not wanted. That is the only inference that I can draw as a non-official critic.

(*Sir Donald Stewart*) But supposing Burma had not been annexed, is it not possible that that force might have been reduced?— I should have thought so.

Very good then; but the annexation of Burma absorbed the whole of that additional force?—A very large portion of it, yes.

(*Mr. Naoroji*) But then it was not necessary that Burma should have been annexed to India; it might have been treated as a separate territory?— Yes.

And the Indians, the National Congress, declared so?— Yes, but my point is this: in the correspondence that took place between the Secretary of State and the Government of India the increases are spoken of as permanently wanted; in fact there was a telegram from the Secretary of State inquiring whether the increases were meant to be permanent, and the Government of India telegraphed back, "yes". If they were permanently wanted for the North-West frontier before Burma was annexed, how could they withdraw a portion and spare it for Burma, when Burma was annexed? That is the only inference that I draw.

To resume — (3) *Our Ordinary Debt* — Our ordinary debt as distinguished from our Public Works debt stands at present at 68 crores. This portion of our debt would not have until now remained undischarged, but for charges unjustly imposed upon us in the past in respect of various wars and expeditions in promotion of Imperial schemes of territorial expansion.

	Cost in Crores.		
First Burmese War (1823)	...	...	13
First Afghan War (1838-42)	...	...	15
Abyssinian War	...	...	6
Second Afghan War			
Total cost	...	23 crores	
Minus Imperial contribution	...	5 crores	17
Egyptian War	...	...	1.2
			<hr/> 46.8 <hr/>

Add to this 67·8 crores thrown upon India since 1885, in pursuance of an Imperial policy as shown in the following table :

Frontier expenditure since 1885.	Aggregate Charge during the period in Crores or millions Rx.	Permanent Annual Charge in Crores or millions Rx.
Military roads ...	1·250	—
* Strategic railways ...	14·000	·600
Special defence works ...	4 630	—
Army increases ...	22·000	3·900
(including Baluchistan garrison)		
Frontier extensions :		
(1) Upper Burma	14·920	·925
(2) British Baluchistan	—	0·086
(3) The Gilgit Agency and Protectorate (including Chitral).	—	·220
(4) Somali Coast ...	—	·012
(5) The Afghan Protectorate ...	—	·180
Cost of expeditions, etc. ...	8·240	—
(exclusive of Burma).		
Political expenditure ...	2·838	·457
Total in crores ...	67 878	6·380

\* The charge is met from capital and not from current revenue.

(Chairman) I do not quite understand the separation between these charges ; is the 6·380 crores Rx. in respect of loans which have been raised for the purpose ? — More than three millions is for the army increase ; it is 3·90 for army increase—30,000 troops.

How do you arrive at the annual charge of army increases ? — From the Army Budget, 22 crores is the total charge — I mean the total charge we have had to bear during all these 10 years for this increase in the army.

Cumulative evidently ? — Cumulative ; and this 3·9 millions is the annual charge which we are to bear every year ; but for this increase we should not have had to bear this charge.

It is an easy way of raising a heavy charge, is it not, first of all to say that this charge is unjust, and then to add up the sums so

expended over many years? If it goes on for many years, it is rather an easy way of making out a large bill. I am not sure that we could not all make a heavy bill against somebody in that way?—It is the natural way of looking at the thing for those who think a charge is unjust.

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But in many of those cases the Government undertook the war believing that it was necessary in the interests of India, did it not?—The Government here ordered the war, the Government there protested against it.

(*Sir Donald Stewart*) Who initiated it?—The Government here, the British Government.

Have you any authority for that?—I believe from all that I have read — this seems to be accepted by almost everyone — that the first

Afghan War was ordered by the Chairman of the Board of Control directly.

Go to the last Afghan War?—Yes, even in regard to that I think the same. Lord Northbrook resigned rather than carry out certain instructions which he received from his Government here; then Lord Lytton was sent out to succeed him, with special instructions, I think, to carry out a certain policy, and that brought on the complication.

I doubt if there is any real authority for that statement?—I think Mr. Naoroji went carefully into this question. Declarations of Mr. Gladstone, Lord Salisbury<sup>1</sup>, and Mr. Fawcett<sup>2</sup> were quoted to show that that was essentially an Imperial war.

(*Mr. Naoroji*) Lord Lytton has said, on the authority of Lord Salisbury, that he was instructed to regard it as an indivisible part of a great Imperial question.

(*Chairman*) Perhaps the method you adopt may be put in this way, that, whenever native opinion says that it does not altogether approve a charge, that charge is to be put into an account, and England is to be called upon to make restitution; that is the argument, is it not?—Not quite that. When the Government of India also is on the same side, I think that alters the position very much.

Will you go on?—I would mention in this connection that we have paid every shilling of the cost of British Conquest, including even the cost of the suppression of the Mutiny (which was close on 50 crores), England contributing absolutely nothing in aid of all this expenditure. England has paid such charges for Imperial Conquest or settlement in respect of her colonies. She has even paid the cost of the suppression of the insurrection in Canada (1838-43), out of Imperial Revenues. Nor has she ever called upon her Colonies—not even the Cape—to undertake Imperial wars or to contribute towards their charge. Upper Burma lies beyond the Indian frontier, and we have had no interest in its conquest and annexation except as a province to be held and administered as an Imperial trust. The conquest was effected in furtherance of Imperial policy and the commercial interests of the Empire, and no special Indian interest was ever here at stake. British Baluchistan and the Gilgit Protectorate are beyond the line of our impregnable defences, and India has no concern with them except as Imperial charges. These are new conquests, and, as years pass by, will require large expenditure for purposes of administrative improvement and material deve-

1. see foot-note 1 on p 33.

2. see foot-note on p 9.

lopment. And it is suggested that they be taken off our hands, as Ceylon, St. Helena, and the Straits Settlements were in a former day, and be directly administered as appanages of the Crown. I would only add one thing. Ceylon was conquered at the expense of India, and has been raised to the position of a Crown Colony; but the expenses India incurred in connection with Ceylon were not refunded. Certain pensions which were granted to officers India continued to pay up to a very recent time. Bechuanaland (South Africa) is administered as a Crown Colony, and is not thrust on the hands of the Cape. *Political Expenditure beyond the Frontier* — This is properly Foreign Office expenditure as being connected with the general foreign relations of the Empire. Foreign policy and control of foreign relations are Imperial functions, and charges in connection therewith, in whatever part of the Empire, ought to be borne on the Imperial estimates. India has no interest whatever beyond her territorial borders, and has only to maintain peace and order on her own side of the frontier. The Indus, the desert, and the Himalayan wall are impregnable lines of defence on the North-West, behind which she can remain in perfect security. All such expenditure, therefore, as is represented by the subsidies to the Amir and other tribal chiefs, and other like charges, is strictly Imperial in furtherance of Imperial interests in mid-Asia. Lastly, *The Irreducible Minimum of Europeans* — If England thinks that a certain number of European officers and a certain strength of the European Army *must* always be maintained in India, she must be prepared to pay a fair share of the cost thrown on India for the purpose, the maintenance of British supremacy in India being a matter affecting the most vital interests of England.

And also the most vital interests of India? — Therefore, I say, the charges should be divided between the two.

(*Sir James Peile*) You have quoted this resolution of 1888, of the Government of Lord Dufferin, I think? — Yes.

What you refer to is this 17th paragraph, I think (*showing book to witness*)? — Yes, and the 18th.

And the 18th. What the Government of India says is this — you consider that it said that the educational expenditure should be stopped? — I did not say "stopped"; I said it should be a "constantly diminishing quantity." You will see they have put it more clearly in the next paragraph at the bottom.

The point is to see under what circumstances and under what conditions the Government of India proposed that it should be reduced? — Yes.



Would you read it? — Yes.

Passing from the statistics of attendance at the various classes of Indian schools and colleges to the expenditure on education, we find that in 1881-82 the total expenditure on public instruction in India was, in round numbers, 186 lakhs of rupees. Four years later (in 1885-86), the total had risen to 240 lakhs; and last year it stood at a little over 232 lakhs. At the beginning of the five years the Government bore 73 lakhs of this expenditure, while local and municipal funds contributed 32 lakhs; the balance of 81 lakhs, consisting of fees, subscriptions, endowments, &c., falling on the public. In the year 1885-86, the share of the Government is shown at 80 lakhs; that of local and municipal bodies at 48; and that of the public at 112 lakhs. The share assigned to local bodies, however, is not entirely the proceeds of local taxation, but includes an item of  $4\frac{1}{2}$  lakhs contributed by Government, so that in effect the share of Government at this period stood at about  $84\frac{1}{2}$  lakhs. Next year the shares are shown at  $85\frac{1}{2}$  lakhs for Government, 49 lakhs for local and municipal boards, and  $117\frac{1}{2}$  lakhs for the public. But of the 49 lakhs expended by local bodies,  $6\frac{1}{2}$  were contributed by Government, so that there has been a progressive increase in the Government expenditure. The Governor-General in Council considers that the growth of the share borne by local bodies should, for the future, exhibit a more marked increase than it has done since 1885, and that there should be a tendency to decrease rather than to increase in the share which now is defrayed from the public treasury.

Then comes, further, this :

The Government of India recognises its responsibility to provide, so far as its finances permit, facilities for the education of the people. But in educational, as in all other matters, it is the policy of the Government of India to avoid entering into competition with private enterprise; it pioneers the way; but having shown the way, it recognises no responsibility to do for the people what the people can and ought to do for themselves. When, therefore, local effort or private enterprise shows itself able and willing to supply the educational wants of the people in any locality, it is the policy of Government to retire from the field of direct instruction and to help by reasonable subventions of money the operations of independent institutions. Under this policy it is the aim of the Government also, wherever there is vitality of private effort, to restrict official action to the maintenance of a few schools, in which the system of instruction and discipline shall afford a standard for the emulation of private or aided institutions in the neighbourhood. In pursuance of this policy, the expenditure from provincial revenues on Government educational institutions should not ordinarily increase in proportion to the total expenditure, but should, rather, be a constantly diminishing quantity, provided that there is the assurance that the ground abandoned by the Government shall be occupied by local effort.

You see the last words "provided —" ? — These inconvenient provisos are likely to be forgotten, and only the idea carried out in practice.

I think the proviso at the end is an essential part of the document, is it not? The Government will not diminish its contribution, unless it is assured that the place of that contribution will be taken by

private funds. The whole paragraph is entirely in favour of local self-government, is it not?—Well, so far as this sort of expenditure is concerned, of course Government would throw the responsibilities on the Provincial Governments. I would mention one point. During the four or five years previous to the issue of this Resolution, in consequence of the orders issued by Lord Ripon in 1884, the educational expenditure had been increasing in a fairly satisfactory manner, but from 1890 it has been at a standstill. For the last five years there has been only an increase of Rs 30,000, when in England you have gone from 5,000,000*l.* to 9,000,000*l.*

That is an increase in the Government expenditure?—Of Government expenditure.

But has the expenditure from local funds and other sources increased or not?—Oh yes, it has increased.

Then the purpose of the Government in that paragraph has been fulfilled?—That is not my point. Language such as is used in this Resolution would not have been held in the House of Commons by any responsible minister during the recent debates on the Education Bill, to the effect that Government were to recognise no responsibility to do for the people that which the people can and ought to do for themselves.

(*Chairman*) Yesterday you were reducing the Army to the unit of the European soldier, and in support of your view, you were quoting an officer of repute, namely, the late Sir George Kellner; and I think he estimated, according to your quotation from him, that seven native soldiers were financially the equivalent of three Europeans; did he not?—Yes.

I was questioning the value of that reduction to one unit, because various people will vary in the way they look at it; and in support of that my attention has been called to Sir George Kellner himself. In 1873, he said, "the soldier is the true unit of military expenditure." I am quoting his evidence taken before the Select Committee on East India Finance, "in order to get that unit, I propose to take four native soldiers as equivalent to one European soldier, financially, for the purpose of comparison." That rather shakes the authority, does it not?—One European soldier equal to—?

"I propose to take four native soldiers as equivalent to one European soldier"?—Financially?

For financial purposes?—Is that so?

I am bringing this divergence before you in support of my remonstrance against these somewhat arbitrary reductions of different

classes to one denomination? — I was not aware of this expression of opinion on the part of Sir George Kellner, who was Accountant-General in the Military Department for a long time.

I quite admit your justification in quoting him; I only wanted to point out to you that, in quoting high officers, sometimes they take such various views of the same circumstances that it does not suffice to build important financial conclusions on their statements? — Yes; but we are not military experts. We can take our stand only upon what these experts say. I was not aware of this other expression of opinion on his part, else I should not have quoted him.

(*Sir William Wedderburn*) There is a point on which it was suggested that you might be able to inform the Commission; it is with regard to the action of Lord Elgin<sup>1</sup> in regard to a petition which was presented to him at Poona. It is stated that that petition was returned to the persons who presented it, for some purpose. Do you know for what purpose; can you tell us the circumstances of that petition? — Yes. I was one of the secretaries of the Poona Sarvajanic Sabha at the time when we proposed to present an address to His Lordship. It was an address of welcome, and in that we had, as was the usual practice, stated our grievances, as we had done in similar addresses to previous Viceroy, Lord Ripon and Lord Dufferin, when they were in Poona, and we had also drafted our address in the same manner. There were, I believe, four or five paragraphs in that draft which referred to Imperial grievances, Imperial expenditure, and railway policy, and things of that kind, and there were four or five paragraphs which were about local matters. In India, we generally send these drafts in advance to the persons to whom the addresses are to be presented, to enable these high persons to prepare their replies, and so we sent this in accordance with that practice to His Lordship about 10 or 12 days before the time. We, however, received the draft back with an intimation that His Lordship declined to hear anything about Imperial matters, that he was in Bombay, and he only wanted to hear about Bombay matters, and he wanted us, therefore, to take out the four or five paragraphs that referred to Imperial questions, otherwise he would not accept the address. Now, our point, with regard to Bombay grievances was this, that we had the Governor there; we could go to him when we wanted. There were questions not in the discretion of the Governor, in regard to which we had to go to

1. *Bruce Victor Alexander* (ninth Earl of Elgin) (1849-1917); Treasurer of Household, and later First Commissioner of Works (1886); Viceroy of India (1894-99); chairman, Royal Commission to inquire into the military preparations for the South African War, and into allegations of extravagance and contractual fraud (1902); chancellor, Aberdeen University (19

the Government of India. The Viceroy comes once in a way to Poona, and a political body, like the Sabha, would naturally take advantage of his presence to press upon him their grievances in regard to the whole country, in which all were equally interested. We had done that before in the case of Lord Dufferin, and in the case of Lord Ripon; but, in this case, Lord Elgin told us that, if the paragraphs were not omitted, he would not receive the address; and, on the principle of half a loaf being better than no bread, we omitted the paragraphs.

Can you state definitely what the last four or five paragraphs related to?—It is rather difficult to recall at this moment. There was, I believe, a paragraph about military expenditure, a paragraph about railway policy, a paragraph about the Jury Bill, which was at the time agitating the people. I cannot give all the points just now; but, if I had only a little time to consult newspapers, I could do so.

There was no objection raised to the form of the petition, on the score of the language not being respectful?—Absolutely none.

It was the substance of it that was objected to?—Yes.

You will, perhaps, not have so much personal knowledge of it—but are you aware that the same objection was raised in Madras by Lord Elgin?—I have read of it in the papers.

What was the result?—The Madras Mahajan Sabha took a firmer stand than we did, and they declined to present the address.

And the address was not presented?—The address was not presented. May I here volunteer information on a point connected with that? When Lord Dufferin came to Poona, there was also a little incident, but not exactly of this kind. The Public Service Commissioners had just been appointed by His Lordship, but the people in India were not satisfied with the constitution of the Commission. In our address we condemned the constitution of the Commission. We sent a draft of the address to his Lordship, and, although he did not raise any formal objection, an intimation was privately, and very tactfully, conveyed to us that, if our opposition was not quite so uncompromising, he would be able to make a statement on the subject, which otherwise he could not make. We modified our statement a little, and that satisfied him. But this was entirely private. Lord Ripon raised no objection to the address which was presented to him.

(The witness withdrew.)

## APPENDIX I\*

(referred to on p. 617.)

Copy of a Despatch from the SECRETARY OF STATE FOR INDIA<sup>1</sup>  
to His Excellency the Right Honourable the GOVERNOR GENERAL  
OF INDIA IN COUNCIL.

(Financial No. 62)

India Office, London,  
20th February 1879.

MY LORD,

1. I have considered in Council your Financial Letter, dated the 16th of September, No. 354, proposing a modification of the rules under which works may be sanctioned that are intended to afford protection against famine, and asking that, in special cases, the condition may be waived "that the annual income from a work must be estimated to be, within a limited time, equal to the interest charge on its capital cost."

2. In the Marquis of Salisbury's Despatch of the 23rd of July 1874, No. 387, it was laid down that the only ground on which certain works of irrigation and State railways could with propriety be excluded from the general account of Income and Expenditure, and placed under a separate head of Extraordinary, or as it is now called, Productive Public Works, was that the works included under that head would "prove remunerative, by yielding, in the shape of annual income, a sum equal to the interest on the money expended in their construction, including interest for the period subsequent to the commencement of each work during which no income is obtained." It was, however, added, "in regard to such works as shall be suggested with the view to the prevention of famine, and which may not come within the class of directly remunerative works," that your Government were not "necessarily to refrain from proposing them, if you should be unable to meet the expenditure from ordinary income, for, in such a case, the works might properly be constructed from borrowed money, the expenditure being included among ordinary charges under a separate head." It was further provided that all funds for productive works must be borrowed in India.

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\* This is Appendix No. 79 in the report of the Welby Commission.

1. *Gathorne Gathorne-Hardy* (Earl of Cranbrook) (1814-1906); president, Poor Law Board (1866); Home Secretary (1867); War Secretary (1874-78); Secretary for India (1878-80); Lord President of the Council (1885).

3. Thus the principle was distinctly set forth that none but remunerative works were to be included among those the expenditure on which was excluded from the ordinary accounts; and that, while it might become necessary to borrow for the construction of unremunerative works for the prevention of famine, the charge must be included in the regular accounts as ordinary expenditure.

4. Your Government pointed out that, in your opinion, the adoption of these rules might prove inconvenient, and that, as interest on money borrowed had been paid year by year out of the general revenues, and not provided by increasing debt, the expenditure might be continued on the supposition that any "additional interest on account of money borrowed for the purpose of constructing extraordinary works will be met from the increased receipts derived from similar works which have been, or will from time to time be, completed and brought into operation." To this argument, however, Lord Salisbury replied, in his Despatch of the 10th of August 1876, No. 305, that, "if works upon which loan funds have been expended are not remunerative to the extent of repaying the interest on the money expended on them, and additional works be annually undertaken which will be unremunerative in a similar degree, every additional work must tend to increase the annual charge for interest which will fall upon the general revenues." And, bearing in mind the uncertainty regarding the cost of obtaining from India the large supplies needed for the Home Treasury, Lord Salisbury added "that it would be unjustifiable to undertake, out of moneys to be obtained by borrowing, any outlay on account of new works, unless their yield will cover the interest of the loan."

5. This view was accepted by your Government, and Sir John Strachey,<sup>1</sup> in his Financial Statement, on the 15th of March 1877, observed that

it ought clearly to be understood that, if such charges as those for famines and for unremunerative public works cannot be provided out of the ordinary revenues, the state of our finances must be unsound. . . . It cannot be too distinctly stated that charges for the relief of famine must be looked upon as ordinary charges. . . . For the future, it has been resolved, in communication with the Secretary of State, that no work shall, under any circumstances, be classed as extraordinary, unless we are satisfied that it will yield a net income sufficient to cover the interest upon its capital cost.

6. It had been laid down by Lord Northbrook<sup>2</sup> in 1874, "that, besides a fair surplus of income over ordinary expenditure, such a

1. see foot-note on p. 169.

2. see foot-note on p. 114.

margin should be provided, in addition, in ordinary times, as shall constitute a reasonable provision for meeting occasional expenditure upon famines ;" and, in referring to the subject in the debate of the 27th of December 1877, Sir John Strachey mentioned the argument of Lord Northbrook,

that, if this surplus were devoted to the reduction of debt, or to preventing the increase of debt for the construction of reproductive public works, in years of ordinary prosperity, there would be no objection to the public expenditure exceeding the public revenue in occasional years of adversity, so that we might then, without objection, meet the charges on account of famine from borrowed funds, to the full extent to which our surplus had permitted the discharge of debt, or prevented its increase.

7. The cost of the famines was estimated, on an average of years, at about 1,500,000/., and provision was made for meeting this expenditure by measures of financial decentralization and by new taxation.

"The Government of India," said Sir John Strachey, "intends to keep this million and a half as an insurance against famine alone ; ... we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose ; and I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust."

8. On the 9th of February 1878, Sir John Strachey explained in greater detail the mode by which it was proposed to deal with the additional sum raised to meet the famine expenditure. *It being* a portion of the policy of the Government to borrow certain sums annually for the construction of reproductive works, this amount would be reduced, and the annual addition to the public debt would be proportionately diminished, by the appropriation of the million and a half raised for famine purposes, so that, when, on the occurrence of a famine, it became necessary to borrow, the amount of the debt would remain no higher than if the receipts to meet the famine expenditure and the corresponding outlay had not been brought into the account.

"The soundness of this argument," he observed, "depends of course on the assumption that the works which are constructed from our annual contribution of 1,500,000/., from the public revenues will be really reproductive, that is, that they will at the end of the ten years produce an income at least equal to the interest which we should have to pay, if we had then to replace by borrowing a sum equal to that furnished from the new taxes for their construction."

Arrangements were to be made with the Local Governments, throwing on them to a great extent the responsibility of protecting the people from famine in the manner prescribed ; "the provincial revenues," he

stated, "will have to supply to the Imperial Treasury, or to hold at its disposal year by year, a sum equal to the interest on the capital expended on all the reproductive works, constructed either with borrowed money or funds supplied from the new taxes." In this mode, said Sir John Strachey, the 1,500,000*l.* to be provided as an insurance against famine would be applied "virtually to the reduction of debt; and, when the calamity of famine actually arrives, we hope not only to be able to meet it without throwing fresh burdens upon the country, but to find that our means of giving efficient relief have been immensely increased by the useful works which we have carried out in the preceding years of prosperity."

9. These views were repeated, in almost the same words, in the letter from your Government, dated the 4th of January 1878, No. 7; and a general approval of your proposals was given by Lord Salisbury, in his telegram of the 12th of January, and again in his Despatch of the 1st of April last, No. 104, in which, however, he observed, that "it is necessary that, whenever the demand for bills and the state of the exchange will admit, the sum which has been provided from the Home Treasury to meet famine expenditure should be repaid from the million and a half which is to be raised annually on account of famines."

10. With the view of carrying into effect the policy on which you had determined, your Government published in the Gazette of India Extraordinary for the 18th of March a Resolution, No. 1911, defining the method in which it was to be put in operation through the agency of the Local Governments.

"It will manifestly be a necessary condition of success," it was observed, "in carrying out such a policy, that the works undertaken shall in fact produce the growing income from which to meet the gradual increase of interest charge, and it therefore becomes essential to examine very strictly the character of all projects brought forward for execution, so that borrowed capital shall not, under any circumstances, be supplied for any work of which it cannot reasonably be anticipated that it will in a definite period of time produce a net income at least as great as the interest on the capital outlay upon it. Further the same limitation ... must also be applied to ... the new resources lately specially created to provide a surplus from which to meet charges on account of the relief or prevention of famine. The justification for granting, for productive works, funds from the surplus revenues which might otherwise be applied to the extinction of debt, is that, so far as it prevents an increase of debt, it will virtually be equivalent to a corresponding discharge of debt, a condition, however, that cannot be fulfilled unless the works are properly remunerative." The "dead weight of interest charge during the time when the income of the works, is not fully developed," might, however, "properly be met from the provincial revenues at the disposal of the Local Governments for carrying out works of internal improvement."



11. These are the conditions which, in the letter now under my consideration, your Excellency proposes to modify, in order to complete the transfer of the liability for Productive Public Works to the provincial revenues and to meet the case of works not in themselves fully productive, but intended to give protection against famine, some of which have actually been begun during the late seasons of distress.

12. You explain that, in sanctioning the execution of a work from borrowed money, the cost of which was to fall on the general revenues of the country, you have hitherto, subject to the sanction of the Secretary of State, decided on the merits of each case whether or not the risk of constructing it should be incurred, with reference to the period within which it might be reasonably expected to become remunerative; and you are of opinion that this principle may be extended to the action of the Provincial Governments. At the same time you observe that, if unremunerative works are carried out from the money provided for the cost of counteracting famines, under conditions which reduce the surplus so provided beyond a certain limit, additional taxation will be eventually required to make good the loss. But, owing to the difficulty of discriminating between works strictly productive and those only admissible as providing against the effect of famine, you propose "to accept a yearly maximum dead-weight charge, to be fixed as experience may suggest, for works constructed as productive, whether under the existing strict conditions, or, as now proposed, in order to prevent famine, or give protection from famine, or diminish the expenditure for the counteraction of famine if it occurs. In other words," you "would limit to a specific maximum amount the net expenditure for the interest on the capital cost of all such works and their maintenance, after setting off all the net income yielded by the works."

13. This amount you would for the next five years fix at 25 lakhs of rupees in any one year, in addition to your "existing net liabilities," and you think that the Famine Insurance Fund of one million and a half sterling may be safely reduced by that sum, on the consideration that the construction of any works not fully productive according to the existing definitions which may be thus facilitated, will cause an equivalent reduction of your ultimate liability on account of famines when they occur.

14. In this manner you believe that the Local Governments will be provided with the means of undertaking works for protection against famine, while a safeguard will be furnished against the improvident extension of liabilities for works of which the remunerative character is doubtful, and the financial responsibility, which has hitherto rested

almost exclusively on the Government of India, will be shared by the Local Governments in a manner practically useful and conducive to the exercise of forethought and economy.

15. With this view you request sanction to a relaxation of the rules under which productive works may at present be undertaken, so that, in exceptional cases, works may be included in that class which are not directly remunerative, provided —

1. That a work will be unquestionably useful for the prevention of famine or as giving protection therefrom, or that, upon the occurrence of famine, it will probably cause reduction of the public expenditure commensurate with its cost;
2. That the total net yearly charge imposed upon the revenues of India, for the maintenance and payment of interest upon the capital invested in productive works of all classes, after setting off the income they produce, shall not, till the end of 1883-84, exceed the corresponding net yearly charge at the present time by more than 25 lakhs of rupees.

16. I have given a most careful consideration to this important question, and regret that I am unable to give my consent to the modification proposed. At the time that your letter was received, Sir John Strachey was in this country, and, with the advantage of the personal explanations received from him, I was in hopes that I might have been able, even if not sanctioning the proposal in the exact form made by your Government, to have sanctioned arrangements which would have been accepted by you as satisfactorily meeting your desire to proceed rapidly with the construction of protective works.

17. The events of the last few months and their effect on our financial position have, however, compelled me to reconsider the question of public works expenditure, and I propose to address your Excellency in another Despatch on this subject. In the meantime, however, I deem it necessary to express the opinion that the present condition of the finances does not justify any loan for outlay on protective works, or any expenditure on them beyond what may be met from the receipts from the special taxation recently imposed.

18. The first claim on these receipts being that of the Home Government for the repayment of debt already incurred on account of famine, I am of opinion that not less than one-half, or say 750,000/., should be held available for remittance to England in the next and ensuing years on that account. The remainder may be appropriated, at your discretion, to the extinction of debt, to the relief of famine,

or to the construction of protective works, not necessarily directly remunerative, but obviously productive in the sense of guarding against a probable future outlay in the relief of the population. I cannot, however, under present circumstances, sanction the raising of capital by loan for the construction of works which do not distinctly fall under the regulations laid down for Productive Public Works.

19. To guard against misapprehension, I deem it necessary to draw attention to a statement in the concluding paragraphs of your letter, that you have omitted from the definition of productive works the condition prescribed in the 49th paragraph of the Despatch of the 23rd of July 1874, that they must be expected "to be remunerative, by yielding, in the shape of annual income, a sum equal to the interest on the money expended in their construction including interest for the period subsequent to the commencement of each work during which no income is obtained." This omission you infer that you are justified in making by the tenor of Lord Salisbury's Despatch of the 27th of September 1877, No. 310A. In that Despatch, which directed that the term productive should be adopted instead of extraordinary, and that the results should be exhibited in a new form, it was expressly stated "that no change is intended to be made in the character of the works henceforth to be admitted into this category." For the inclusion of any work in the productive class it is necessary that there should be a prospect of its repaying, within a reasonable time, the whole of the interest incurred on the money expended in its construction, though it is immaterial whether the interest which accrued during the process of construction be treated as a charge against the income of future years, or be added to the capital on which interest is to be paid.

I have, &c.

(Signed) CRANBROOK.

## APPENDIX II\*

(Gokhale's rejoinder to Mr. Jacob's evidence, tendered on 21st July 1897.)

The first half of the additional evidence, tendered by Mr. Jacob on 21st July 1897, deals with the subject of Provincial Finance, and is intended to be a defence of the existing system from the point of view of the Government of India. There is little or nothing in this portion which directly challenges anything I have said on the subject, but as Mr. Jacob's statement of the case is likely to lead to conclusions conflicting materially with those which I have endeavoured to press on the attention of the Commission, it is necessary for me to offer the following criticism on this portion of Mr. Jacob's supplementary evidence.

Replying to the criticisms of the Indian witnesses generally, Mr. Jacob contends that the existing contract system has, on the whole, worked satisfactorily, and in support of his contention, puts in two tables, comparing the growth of Imperial and Provincial expenditure during the past 15 years, and showing as a general result that while the Imperial net expenditure has grown but 7.7 per cent., the Provincial net exhibits an increase of 19.6 per cent., *exchange being excluded from the account*. Evidently, with such results before us, argues Mr. Jacob, it is incorrect to say that the Provincial services have been starved under the system. And he claims that as far as the resources of the Government have been available, the figures show that the Provincial Governments have had their full share of them.

I submit, however, that Mr. Jacob's comparison is not a fair one, for the following reasons :

(a) I think that Mr. Jacob's contention, that exchange ought to be excluded for purposes of this comparison, is not a sound one. Mr. Morgan Browne has already shown satisfactorily, in his evidence, that although exchange is responsible for some deterioration in the financial position of the Government of India, the increase in military and other expenditure is even more responsible for the result. From the taxpayer's point of view, moreover, it is the same thing to him whether his rupee is spent by the Government of India in meeting loss by exchange or in defraying the expenses of some frontier expedition. All he sees is that of the total amount that he contributes to the Government Exchequer, a continually increasing proportion is appropriated by the Imperial Government in whose expenditure his interest is comparatively remote, and that a continually diminishing

\* This is Appendix No 90 in the Welby Commission's report.

proportion falls to the lot of the Provincial Government in whose expenditure he feels a direct and immediate interest. If exchange is not omitted from the account, it will be seen that the Imperial net expenditure has grown by 24 per cent. as against a growth of 19.6 per cent. in the Provincial net.

(b) Assuming, however, for the sake of argument, that exchange, as given by Mr. Jacob in his reply to Q. 19,887, is rightly excluded from the calculation (though even then the criticism must remain that Government might have kept down the charge by avoiding, as far as possible, increase of sterling liabilities and home charges), there can be no justification for leaving out of account the railway and irrigation net charges. However these services may be financially regarded, the net loss accruing to the State on their account year after year is not debited to the capital account of the works but is paid out of the current revenues of the country. And if this charge is to be left out of account in making the comparison, almost every other charge might be omitted on the same principle.

The following Table (A) gives the net result of the Railway and Irrigation Account for the three quinquenniums from 1882 to 1896 :

TABLE A  
Railway and Irrigation Account  
Net Result

Year	Gross Expenditure	Receipts.	Net Expenditure, or Loss or Gain to the State.	Average	—
1882-83	13.59	12.49	— 1.10		
1883-84	12.81	13.56	+ .75		
1884-85	15.19	13.57	— 1.62		
1885-86	16.71	15.27	— 1.44		
1886-87	17.97	16.13	— 1.84		
Total	—	—	— 5.25	1.05	
1887-88	19.11	16.24	— 2.87		
1888-89	20.37	17.42	— 2.95		
1889-90	21.11	18.59	— 2.51		
1890-91	20.66	19.40	— 1.25		
1891-92	23.19	22.21	— .98		
Total	—	—	— 10.56	2.12	

TABLE A (Contd.)

Year	Gross Expenditure	Receipts	Net Expenditure, or Loss or Gain to the State	Average	
1892-93	23.86	21.49	-2.37		
1893-94	24.69	22.59	-2.10		
1894-95	26.54	23.58	-2.96		
1895-96	26.45	24.15	-2.29		
1896-97 (Revised)	26.22	23.36	-2.86		
Total	—	—	- 12.58	2.51	Increase: Net
					1.05 } 1.46
					2.51 }

(c) Further, Mr. Jacob's comparison is rendered unjustifiably favourable to the Provincial administrations by the inclusion of two items of expenditure in the Imperial expenditure table, which, fairly speaking, ought not to be there, viz., *Interest and Famine Relief and Insurance*. Interest is a diminishing charge, (1) owing to conversion operations rendered possible by favourable conditions of the money market, and (2) owing to a feature of the Indian accounts which take all Public Works grants from annual revenues in reduction of rupee-debt. As to famine insurance, Government itself has so often described it as being in the nature of a surplus reserve (to be provided only when there is a surplus) and it has been so changing in amount, that it is manifestly unfair to include it when exchange has been excluded. The Provincial Governments, it should be borne in mind, have no such elastic and variable items of expenditure.

The following Table B gives the figures of Imperial net expenditure minus net interest and famine charges for the three quinquenniums:

## TABLE D.\*

## Net Imperial Expenditure.

In Millions and Decimals of Millions.

Years	Imperial net Expendi- ture, excluding Exchange.	Net Interest and Famine Charges, included in (2)	Imperial Net Expen- diture, excluding Exchange and Inter- est and Famine Charges.	Quinquen- nial Average.	
1	2	3	4		
1882-83	27.23	5.27	21.96		
1883-84	27.44	4.94	22.50		
1884-85	26.27	4.74	21.53		
1885-86	28.99	4.36	24.63		
1886-87	27.21	3.01	24.20		
Total	137.16	22.32	114.82	22.96	
1887-88	28.03	3.40	24.63		
1888-89	26.90	2.80	24.10		
1889-90	27.66	3.18	24.48		
1890-91	28.57	2.75	25.82		
1891-92	30.87	3.58	27.26		
Total	142.13	15.71	126.38	25.27	

\* The figures in these Tables (B and D 1) are, in several cases, obviously wrong. For example taking the Totals for the first Quinquennium in Table B, if the figure in Col. 3 (22.32) is deducted from that in Col. 2 (137.16), the result (114.84) does not tally with that given in Col. 4 (which is 114.82). So also through the rest of the figures. There is evidence in Gokhale's correspondence to show that he had to prepare this 'rejoinder' in great hurry and under enormous mental strain, and this no doubt explains these discrepancies, which are so unusual with him.

With regard to the Totals in Col. 2 in Table B, however, it is possible to say that in spite of first appearances they are correct. That is because in giving the figures for the different years in Col. 2, the third decimal has been omitted, without at the same time raising the second decimal to the higher digit where this was necessary.

TABLE B (Contd.)

Years	Imperial net Expendi- ture, excluding Exchange.	Net Interest and Famine Charges, included in (2)	Imperial Net Expan- diture, excluding Exchange and Inter- est and Famine Charges.	Quinquen- nial Average.	
1	2	3	4		
1892-93	30.33	3.12	27.21		
1893-94	29.74	3.09	26.65		
1894-95	28.47	2.75	25.72		
1895-96	29.73	1.85	27.97		
1896-97 (Revised)	29.51	2.34	27.17		
Total	147.79	13.16	134.72	26.94	Increase Net 22.96 } 3.98 26.94 } or 17 per cent.

Comparing 1892-93 with 1896-97 (revised) —

$$\left. \begin{array}{l} 21.96 \\ 27.17 \end{array} \right\} 5.21 \text{ increase during the period,}$$

or

23 per cent.

TABLE B 1.\*

Variations in Interest and Famine Charges.

Net Interest Charge, exclusive of Exchange.				Famine Relief and Insurance, In Millions and Decimals of Millions of Rs.		
1892-93	3.79	Total for 5 years Average	16.05 3.21	1.48	Total for 5 years Average	6.27 1.25
1893-94	3.45			1.49		
1894-95	3.20			1.54		
1895-96	2.90			1.46		
1896-97	2.71			.30		

\* see foot-note on p. 658.



TABLE B 1 (Contd.)

Net Interest Charge, exclusive of Exchange.			Famine Relief and Insurance. In Millions and Decimals of Millions of Rx.		
1887-88	3.33	Total for 5 years Average 13.21 2.64	.09	Total for 5 years Average 2.52 .50	
1888-89	2.73		.07		
1889-90	2.65		.53		
1890-91	2.16		.59		
1891-92	2.34		1.24		
1892-93	2.07	Total for 4 years 8.47 2.11	1.05	Total for 4 years 2.31 .57	
1893-94	1.98		1.11		
1894-95	2.16		.59		
1895-96	1.26		.56		
1896-97 Revised	.79		1.55		

Mr. Jacob's table for Imperial expenditure — corrected as suggested above, *i.e.*, by the inclusion of railway and irrigation net charges on the one hand, and by the exclusion of interest and famine expenditure on the other, would show, as per Table C., that the Imperial net expenditure has risen from 23.91 crores to 29.45 crores during the past 15 years, which gives an increase of 5.54 crores on 23.91 crores, or *fully 23 per cent.*, as compared with the provincial net, which has increased from 11.53 crores to 13.79 crores, or 19.6 per cent.

And this is excluding the exchange given by Mr. Jacob in his reply to Q. 19,887.

TABLE C.

## Imperial Net Expenditure

In Millions and Decimals of Millions.

Quinquenniums.	Quinquennial Average as per Table B.	Railway and Irrigation Account, Quinquennial Average as per Table A.	Total of 1 and 2 (Net Results)
1882-3-1886-7	22-96	1-05	23-91
1887-3-1891-2	25-27	2-12	27-39
1892-3-1896-7	26-94	2-51	29-45

1st Quinquennium	...	23-91
3rd Quinquennium	...	29-45
Increase	...	5-54, or 23 per cent.

These percentages of proportional growth of Imperial and Provincial expenditure are, however, a matter of secondary importance. The important question for the Commission to consider is, whether the distribution of services between the Imperial and Provincial Governments being what it is, the present distribution of the national resources between them is just and equitable. It is suggested in one place by the chairman, that if the Imperial Government imposes extra taxation and thus increases its revenues, the Provincial Government have no right to expect a share in the proceeds of the extra taxation. If the question were to be considered solely from the points of view of the Imperial or Provincial Governments, there would be considerable force in such an argument. But there is another standpoint from which also the question has to be looked at, viz., the taxpayer's standpoint. And as long as he considers that Provincial expenditure is more intimately connected with his welfare than Imperial expenditure, so long the objection to increased Imperial expenditure, no matter how met, must remain.

Q. 19,981. — Mr. Jacob mentions an increase of 39 per cent. in the expenditure on education in 14 years. I have not got his Table A before me, and so I have some difficulty in understanding his figures, which do not tally with those given in the statistical abstracts. Mr. Jacob's figures are larger than those which denote purely Government expenditure on education, and smaller than those which represent Government and local rates expenditure added together. I imagine his figures are net and are obtained after deducting miscellaneous educational receipts from the total Government and local rates expenditure on education<sup>1</sup>. If Mr. Jacob's totals be divided into Government expenditure and local rates expenditure, I feel confident the former will show a much smaller percentage of growth than 39 per cent. In this connexion, I am surprised at Mr. Jacob stating that the existing provision for the education of the people in India is in excess of the requirements of the people, and is not fully availed of by them. Mr. Jacob says he speaks from personal experience in the matter. All I can say is that my own experience, and the experience of many others directly connected with the work of education, is diametrically opposed to that of Mr. Jacob, who will, moreover, see that his views on the subject are in direct conflict with the opinion emphatically expressed by Lord Ripon's Education Commission.<sup>2</sup> This Commission, after a most elaborate inquiry, recorded that the educational expenditure of the country was wholly inadequate to meet its needs, and appealed in such earnest terms to the Government of Lord Ripon to increase its educational grant, that his Lordship issued special instructions to the Provincial Governments calling upon them to increase their allotments to education, and promising, where necessary, aid from the Imperial Treasury for the purpose. This beneficial policy was, however, practically reversed four years later by the Government of Lord Dufferin, in a resolution to which I have already called the attention of the Commission.

Q. 20,005 *and following* — Here Mr. Jacob indicates in rough outline to the Commission a proposal of the Government of India, which, if adopted, is, I fear, likely to throw back rather than advance matters. He suggests that what is purely local expenditure (*i.e.* education, medical relief, roads, &c.) should be separated from the

1. This is correct. The Table referred to is given in Appendix No. 30 in the report of the Welby Commission, and shows the Provincial and Local Net Expenditure.

2. Appointed "with a view to enquiring into the working of the existing system of Public Instruction, and to the further extension of that system on a popular basis." Mr. (later Sir) W. W. Hunter was the president of the Commission (1882-83).

total of Provincial expenditure, and that a permanent grant from the Imperial revenues might be assigned in aid of such expenditure, a grant not to vary or increase with the increasing revenues of the country, but a fixed and permanent grant, and that it may be advantageously arranged that any further increase in the existing expenditure should be met from local resources. Such an arrangement, in respect of such important service, must, I submit, either lead to all stoppage of progress or necessitate additions to local burdens, though it will, no doubt, give relief to the Imperial Treasury. Neither result would be desirable, and independently, it would seem most unfair and inequitable to shut off such services from all participation in the benefit of the expanding resources of the Empire.

Q 20,044 and following — With reference to Mr. Jacob's answers to these questions, the following figures will be of interest. They show that there is much more in the contention of the local Governments than what Mr. Jacob admits. The effects of a constant backward and forward movement in Provincial expenditure must be prejudicial to the real interests of economy and efficient administration.

Contract of 1882  
(Rs 000s. omitted)

Year	Total Revenue	Total Expenditure	Surplus or Deficit	Closing Balance	
1882-83	16,334	17,235	-901	2,648	
1883-84	16,484	16,669	-185	2,115	
1884-85	17,557	17,488	69	1,862	
1885-86	18,186	17,577	609	2,237	
1886-87	18,201	18,025	176	2,126	
Total ...	86,762	86,994	-232	—	
Average	17,352	17,398	—	—	
1887-88	17,534	17,265	269	2,395	
1888-89	17,839	17,634	205	2,600	
1889-90	18,341	17,849	492	3,092	
1890-91	18,035	18,360	-305	2,787	
1891-92	20,871	20,451	420	2,573	
Total ...	92,640	91,560	1,080	—	
Average	18,528	18,312	—	—	

Year	Total Revenue	Total Expenditure	Surplus or Deficit	Closing Balance	
1892-93	19,589	19,842	-261	2,312	
1893-94	19,899	20,037	-138	2,174	
1894-95	19,641	20,077	-436	1,738	
1895-96	20,806	20,382	424	2,162	
Total ...	79,926	80,338	-411	—	
Average	19,981	20,084	—	—	

Q. 20,050-52. — With reference to Mr. Jacob's answers to these questions, and in further support of what I have already said on the subject, I beg to submit the following table to the Commission. The Commission will see from it how the different provinces stand at the present moment, in regard to the revenue they enjoy for Provincial purposes, and in regard to what they have to surrender to the Imperial Exchequer :

Province.	Population.	Revenue, except undistributable, Imperial, Opium, Salt, Customs, Tributes, &c.	Provincialised, 1895-96 (000* omitted).	
			Revenue	Expenditure.
		Rx	Rx.	Rx.
Central Prov. ...	10,784,294	1,464,172	823	803
Burma ...	7,605,560	4,576,838	2,207	1,981
Assam ...	5,476,833	1,171,685	669	639
Bengal ...	71,346,987	9,554,370	4,585	4,435
N. W. P. & Oude	46,905,085	9,567,512	3,166	3,306
unjab ...	20,866,847	4,589,809	1,778	1,785
Madras ...	35,630,440	9,596,739	3,295	3,251
Bombay ...	18,901,123	7,977,549	4,280	4,179
Total ...	—	Rx. 48,498,000	20,806	20,382

Q. 20,054-20,171 — These questions are directed to ascertaining the position which natives of India occupy in the matter of employment in the higher branches of the public service. In his replies to these questions, Mr. Jacob has quoted the latest orders of the Government of India in regard to the various branches, and he has told the Commission what would happen when full effect was given to these orders. The interest attaching to his statement of the case, is, however, largely diminished by the admission that "in every case some years must elapse before the scheme can be introduced in its entirety, and in some cases the period may extend to 20 or 30 years." As no one can guarantee that the present intentions of Government will not change in the interval, and in one case at any rate, they have so changed in the past, viz., in the matter of the statutory service, a discussion of what will be our position 20 or 30 years hence is likely to appear to some more academic than practical. A better way would, I think, have been for Mr. Jacob to state the present numbers of natives in the higher branches of the various departments, and then indicate how matters would improve for them, as greater effect was given to existing orders.

With due deference to Mr. Jacob, I submit that the manner in which he has presented his facts in this portion of his evidence is calculated to obscure the true issues involved in the controversy on this subject. This controversy is about the *higher posts* in the different branches of the public service, an expression not easily capable of an accurate definition, but perfectly intelligible to all in this country who take an interest in such questions. I do not think I should be assisting the Commission much if I were to say that the natives have a practical monopoly of everything which it is not worth an Englishman's while to have. And yet Mr. Jacob appears to me in several places to come perilously near such a statement of the case. The only posts which are of value and of which we may be said to have a monopoly are the deputy collectorships and the subordinate judgeships; and Mr. Jacob naturally makes a great deal of this point. But these posts have long been ours, and I am not aware of any controversy having been raised about them. Barring these posts, there are few appointments in the lower branches of the public service which it would be worth an Englishman's while to have, and all these, therefore, necessarily fall to the share of the natives of the country. But the controversy that has gone on now for a good many years is not about these ministerial posts or about deputy collectorships or subordinate judgeships. It is about the class of appointments to which the 93 posts specified by Mr. Jacob in his reply to Q. 20,055 belong in the judicial and executive branches, and to posts in the special depart-

ments corresponding to these and indeed many much lower than these. These are the posts from which all but a very few natives find themselves practically excluded, and their grievance is in respect of such appointments. In my evidence already recorded by the Commission, I have indicated how we stand in reference to these appointments in the different departments of the Bombay Presidency.

In Q. 20,087, the chairman asks Mr. Jacob if the new scheme of setting apart 93 posts (95 is evidently a misprint) for the Provincial service is not a more restricted one than the old scheme of the statutory service. Mr. Jacob says, in reply, that the objection is in the main a matter of sentiment. As a matter of fact, however, the main objection to the new scheme is that it gives us a considerably smaller proportion of the "reserved" posts than had been secured to us by the Statutory rules of 1879. A very simple arithmetical calculation will make this clear. The rules of 1879 had secured to us *one-sixth* of the total recruitment for the Indian Civil Service, that for five men entering by the competitive door of London, one native was to be appointed to the service in India. It is clear that under this scheme, one-sixth of the total strength of the Civil Service would have ultimately been Indian, and this leaves out of account those Indians who might get in by the London door. Now, in Q. 20,091 Mr. Mowbray quotes from a despatch of the Government of India that the Civil Service is recruited to fill 898 posts. And as the total strength has to be kept about 20 per cent. in excess of the posts, so as to provide for those who are sick or on leave, this gives a total strength of nearly 1,100 for the Civil Service. As I have therefore already stated in my evidence, we should have ultimately had at least one-sixth of these men Indians if the old scheme had been allowed to continue, which gives about 180 men out of nearly 1,100. Instead of this, we now have 93 posts set apart for us. I may add that the Public Service Commission itself had recommended the setting apart of 108 posts, but the Government of India and the Secretary of State between them reduced the number to 93.

With reference to the Special Departments, partly owing to the wide meaning given to the term "Natives of India" and partly owing to Mr. Jacob's omission to state the present proportion of natives, as *ordinarily understood*, in the different grades, it is very difficult to have a clear idea of the existing situation. Meanwhile, the analysis submitted by the native witnesses for the different provinces tells its own tale. In this connection, I would only repeat here what I have already urged on the attention of the Commission, that while restrictions on the extended employment of Indians in the executive branch of the Civil Service,

as also in the Military Department and in quasi-military departments like the Police, are intelligible, there can really be no justification for shutting all but a few of them from such departments as the Survey, Opium, Finance, Customs, Telegraph, Forest, Public Works, and others. In fact in these departments the employment of natives, as children of the soil, should be the rule and the employment of Europeans the exception. As regards the acquiring of the necessary special skill in some of these departments, it is for the Government to provide facilities in the country itself, and then he would be a bold man who would assert that duly qualified natives would not still be forthcoming in much larger numbers than required.

Q. 20,173-85 — I now come to the special criticism which Mr. Jacob offers on my own evidence. His replies to Q. 20,174-5-6-7 may be taken together. From these replies it appears that Mr. Jacob does not share the views of men like Sir C. E. Trevelyan as regards the financial administration of the East India Company, and he compares the civil and military expenditure of the closing years of its rule with what it is now. Unfortunately, he does not go into any fuller statistical analysis, and it is not clear why he takes the troubled years 1856-57-58 for comparison. The point, however, is a most interesting one, and certain figures which I have worked out yield very striking results.

It may be stated that our complaint about the course of Indian expenditure is mainly in reference to recent years. During the first 25 years following the Mutiny, the progress of civil expenditure was, on the whole, not unsatisfactory, while the military factor was well kept within limits. But since 1884-85, military considerations, as Sir A. Colvin put it, have acquired such a preponderance in the financial administration of the country, that whereas military expenditure has grown and is growing enormously, civil charges exhibit but a meagre advance. The following figures will suffice to bring out the point:

*First Period (1844-45 to 1855-56).*

Year.	In Crores.	
	Civil Expenditure	Military Expenditure.
1844-45	5.18	10.78
1855-56	7.21	11.95
Increase	2.03	1.17



These closing 12 years of the Company's rule were a most troubled and anxious period — a period of war and conquest, annexation, and political change (Sikh and Burmese wars, Oude and Nagpore annexations), and yet while civil charges were allowed to expand from 5.18 crores to 7.21 crores, or *full 37 per cent.*, military expenditure was well kept under control, and increased only 10 per cent.

Second Period (1862-63 to 1872-73).

Leaving out the five years (1856-62) of the Mutiny period, we come to 1862-63, when things quieted down and, so to say, returned to the normal.

Year.	In Crores.	
	Civil Expenditure	Military Expenditure.
1862-63 ...	8.50	14.89
1872-73 ...	12.63	15.50
Increase ...	4.13	.61

In other words, while the civil charges increased by *nearly 50 per cent.*, the military expenditure was allowed to grow by *only 4 per cent.*

Third Period (1884-85 to 1895-96).

Leaving out the period from 1873 to 1884 as for the most part an abnormal period of famine and war, and making allowance for the country to recover from the effects of those calamities, we come to the third period, and we have the following figures :

Year.	In Crores.	
	Civil Expenditure	Military Expenditure
1884-85 ...	17.47	16.00
1895-96 ...	21.50	22.25 ( Exclusive of exchange. )
Increase ...	4.03	6.25

These figures yield a percentage of 23 as the increase in civil charges and 38 as the growth in military expenditure.

The percentages of growth for the three periods are gathered together below.

	Increase in Civil	Increase in Military.
First period (1844-45 to 1855-56)	37 per cent.	10.78 per cent.
Second period (1862-63 to 1872-73)	50 "	4 "
Third period (1884-85 to 1895-96)	23 "	38 "

These figures more than justify the criticism, that during the last 12 years military considerations have been allowed to overshadow all other considerations.

Mr. Jacob's table (Q. 20,174) compares net charges except under Army and Land Revenue for 1856-7 with gross for 1895-6, which is open to objection. The figures, as given in Sir H. Waterfield's memo. of 1880, are as follows :

1856-57.	£.
Law and Justice ...	2,812,407
Education ...	246,607
Medical ...	99,886

In such comparisons, due allowance has to be made for the difficulties of a Government which was just emerging from the distracting struggles of a hundred years, and had but short intervals of breathing time to conceive and carry out measures for the internal development and progress of the country, and it is manifestly ungenerous to compare the small beginnings of a period of storm and stress with the larger developments of more peaceful times.

Mr. J. S. Mill's memo., however, on administrative improvement during the last 30 years of the Company's rule (Bluebook, February 9th, 1858), gives a record of sustained progress of which any Government might be proud. The Judicial and Police Establishments were revised and placed on an improved basis; a large scheme of police reform was being vigorously pushed through. Education was well taken in hand; and medical relief was not neglected. As regards public works, a large beginning was made. Irrigation works, including the Jumna and Ganges Canals, were carried out and several new

ones projected. Railway construction had a fair commencement; negotiations with six railway companies were complete, and 4,158 miles were sanctioned. The question of the extended employment of natives in the higher branches of the public service long engaged the serious attention of the Company's Government. The creation of native courts of justice was a great step in this direction, and in Bengal and Bombay, the entire original jurisdiction in civil suits was in the hands of the native judges, and so, too, to some extent, in Madras. Natives were also largely employed in the administration of criminal justice and in the revenue department. ( Vide Mill's memo. )

Q. 20,177a — In this question, Mr. Jacob seems to have altogether missed the point of my reply to Q. 18,335. My words to which he refers were these : " I do not know a single instance where native services have ever clamoured for increased pay or pensions, or ever got any concessions. " It will be seen that Mr. Jacob has not quoted me correctly, as a reference to my reply to Q. 18,335 will show. Now my point there was " that the European services were so powerful, that whenever they made up their minds to secure a concession, their clamour generally compelled the Government eventually to yield. The native services, on the other hand, from the very nature and the helplessness of their position, never *clamoured* for anything, or got anything as a *concession* to their demand. " I was pointing out a moral evil inseparable from the powerful position which the European services naturally occupied in the country. I think my replies to Q. 18,334 and 18,335 ought to leave no doubt in anybody's mind on the point.

Q. 20,178 — Here I would only remark that the suggestion of the Calcutta Chamber was in respect of High Court Judges only, whereas the criticism of the Bombay Chamber applied to the whole Civil Service. The latter body had, moreover, suggested that even the pensions of these officers should be paid in rupees. It is true that when the Bombay Chamber made their proposal, exchange was at about 1*l.* 6*d.*, but it had been steadily falling already, and surely a body of merchants like the Chamber was not likely to overlook the probability of a further fall.

Q. 20,179-83 — Here Mr. Jacob seems to consider that the increase in forest revenue justified the increase in the expenditure. But the increase in the revenue itself is open to serious objection, and is a necessary evil of constituting a separate forest department. My views on this subject are so fully expressed in my previous evidence that I do not think it is necessary for me to say more here on the subject.

Q. 20,184 — The proportion of Native and European police inspectors that I gave in my reply to Q. 18,493 was only an impression based on what I then recollected of Poona. I was careful to add: "I am not quite sure, but it would be like that." The statement is correct so far as the higher class of inspectors, those drawing Rx. 200 a month and upwards, are concerned. The latest civil list gives six inspectors on 200, of whom three are Europeans. Also four on 250, of whom two are Europeans. The grades below 200 a month are manned almost exclusively by natives, and to this extent I beg to modify my statement.

Q. 20,185 — Our settlements are for 30 years, as I have already explained, and then a revision takes place, leading to an increase in Government assessment; the proceeds of the one-anna cess also increase to that extent. And as revision operations have gone on over so many parts of the Presidency during the last few years, it was natural that there should be some increase in the proceeds of the cess. But now, for nearly 30 years, there would be very little revision. Moreover, an increase of 8 lakhs in 20 years<sup>1</sup> does not appear to me to be so striking as to deserve special mention. I need hardly add that my argument about the non-progressive character of the one-anna cess for periods of 30 years at a time is entirely unaffected by the increase mentioned by Mr. Jacob.

Fergusson College, Poona,  
15th October 1897.

G. K. GOKHALE.

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1. From Rx. 214,000 in 1875-76 to Rx. 294,000 in 1895-96.

# ERRATA

<i>Page</i>	<i>line</i>	<i>for</i>	<i>read</i>
x	24	John	James
2	6th from bottom	- 536	- 536
4	21	country	century
12	27	statistical	statical
62	1	charge	charges
76	6	Speaking, further	Speaking, further,
144	18	that	than
374	32	permitted	permitted'
480	20	119,939	119,739
500	5	66	56
578	19	1884-5	1894-5
616	last line	has	had
616	footnote	33	648

# INDEX

- Abkari : Bombay Abkari Act Amendment, opposed, 403-413; Abkari dept. should aim at reduction of drunkenness, 453
- Adamson, Sir Harvey : 132, 199
- Afghan War : 513, 514-515, 523, 641, 642; financial effects of, 172, 574
- Agricultural banks, establishment of, urged, 104, 422
- Agricultural College, Pusa : 65
- Agricultural indebtedness : 79, 103-104, 137, 272-273, 280-281, 283, 422; four classes of debtors, 434-437
- Agriculture in India, *see also* Land revenue; Permanent Settlement; poverty of peasants
- Agriculture in India, depression in, 11; history of, 23-24; preponderance of, in national economy, 38; scientific methods and education, commended, 68, 105; irrigation projects through expert contractors, commended, 104; utilisation of Famine Insurance Grant for agricultural education etc., recommended, 222-224
- Ahluwalia, Kanwar Harnam Singh : 405*n*.
- Aitchison, Sir Charles : 488*n*.
- Alexander, Bruce Victor, *see* Elgin, Lord
- Anarchists, activities of, condemned, 146
- Anderson, Col. G.S.A. : 448
- Anglo-Japanese Alliance : 94, 96, 99, 135
- Anglo-Russian Convention : 135, 136, 314
- Apportionment of charges, *see under* 'Charges'
- Army Commission, (1) 1859 : 98, 306, 481, 579; (2) 1879 : 19, 34, 35, 74-75, 96, 307, 482, 484, 507, 580, 638
- Army in India : 478-487; strength of volunteers, native army reservists, and Imperial Service troops, 34; citizen soldiery for Indians, urged, 65, 99, 100; reduction in strength of, urged, 96-97, 306-308, 580; policy of distrust, deplored, 97-98; military problem of India—four points of view, 118-120; always maintained on war footing, 482, 580; lack of reserves — a great defect, 482, 485, 580-586; Native army, 484-487, 582-586; British troops, 483-484, 581-582; Indian Staff Corps System, 486, 585; promotion system, 486; proportion of native to British strength, 577-579; two components — native and British—troops — not impartially treated, 579-586; *see also* Military expenditure; Military reorganisation; Short Service System
- Arundel, Sir Arundel, views on free primary education, 120-121
- Asia, new forces in, 119
- 'Asiatic Danger in the Colonies' by Neame : quoted, 288
- Asiatic Quarterly Review* : 291*n*.
- Assam, recruitment of labour for tea gardens of, 352; indentured labour system in, 359
- Aston : 447
- Audit, independence of, urged, 309-310, 318-319
- Bains, views on poverty of peasantry in the N.-W. Provinces and Oudh, cited, 13
- Baker, Sir Edward : 37, 51, 90, 95, 108, 114, 115, 117, 124, 136, 145, 158, 165, 166, 167, 169, 184, 255, 258, 282, 283; views on free primary education, 120; on pressure on the Finance dept., 142; 303; on Opium revenue, 157-158, 190, 204; on railway finance, 182; on under-estimation of revenue, 185-186; on normal growth of Indian revenue, 249

- Balfour, Arthur : 119, 332, 375, 618  
 Barbour, Sir David : 56, 258, 462, 534;  
 views on salt duty, 8-9; on per capita  
 income in India, 55, 377; on nature  
 of land revenue, 381  
 Baring, Major Evelyn : 309, 462, 534;  
 'Cromer Inquiry' of 1882, 14; finan-  
 cial reforms of, 32; views on surplus,  
 53; on establishment of agricultural  
 banks in Egypt, 104; on irrigation  
 projects in Egypt, 105, 176; on per  
 capita income in India, 55, 377; on  
 nature of land revenue, 381  
 Baroda, Gaikwad of, *see* Gaikwad,  
 Maharaja Sayaji Rao  
 Bastable, Charles F. : views on local  
 taxation, cited, 379, 382  
 Basu, Bhupendra Nath : 215, 217  
 Bateson : evidence given before Sande-  
 son Committee, cited, 354-356  
 Bayley, Sir Charles : 359  
 Beaconsfield, Lord : 513, 641  
 Bengallee, Sorabjee S. : 321*n*.  
 Bentinck, Lord William Cavendish : 153  
 Bhatavdekar, Sir Bhalchandra  
 Krishna : 444*n*.  
 Bilgrami : 268  
 Birkmyre, amendments suggested by,  
 to bill on labour in factories, 1911,  
 326; procedure adopted in suggest-  
 ing amendments, criticized, 326-327  
 Boer Government : 290  
 Boer War : 291  
 Bombay, lowering of land revenue  
 demand in, urged, 57-58; relief to  
 Local Boards in, urged, 91; finances  
 of, compared with Burma, 235-238;  
 'bloated' budget of, 317; lowering  
 of fees on graziers, urged, 452;  
 working of civil depts., 496-505,  
 624-635; monopoly of higher offices  
 by Europeans in, 504-505  
 Bombay Abkari Act Amendment, *see*  
*under* Abkari  
 Bombay Govt. Gazette, famine notifica-  
 tions in, studied, 390  
 Bombay Land Revenue Bill, *see under*  
*Land Revenue*  
 Bombay Presidency Association : 150,  
 455, 510  
 Erackebury, General Sir Henry : views  
 on strength of army in India, 34, 307  
 British Colonies, history of indentured  
 labour in, 351-352  
 British Empire, question of status of  
 Indians in, 293  
 British rule : responsible for India's  
 poverty, 11; periods of consolidation,  
 administrative efficiency and indus-  
 trial and educational progress, 39;  
 Govt., national in spirit though  
 foreign in personnel, desired, 107;  
 India's interest lies in continuance of,  
 122, 293  
 Brougham, Lord : 351  
 Brunyate, J. B. : 314  
 Buchanan, T. R. : 147  
 Budget, voting of, in Supreme  
 Legislative Council, suggested, 463  
 Budget Accounting : changes in form  
 of accounts, suggested, 92-93, 109-  
 111, 130-131  
 Budget Deficit, 139-140  
 Budget Surplus : a double wrong, 1;  
 against accepted canons of finance  
 in years of trial and suffering, 5, 53,  
 71; temptation to extravagant ex-  
 penditure, feared, 9, 53; tables, 28,  
 69-71; plea to utilise it for moral  
 and material advancement, 44, 77,  
 113, 133-134, 211-213, 254-259;  
 proves unjustifiably high level of  
 taxation, 51-52, 166; result of  
 Govt.'s currency legislation, 52; plea  
 for relief to agriculturists who  
 are hit hard by currency policy,  
 52; utilisation of, for remission  
 of taxation etc., appreciated, 66;  
 rarely followed by remission of  
 taxation, 211; actual amount of,  
 more than that stated by Govt.,  
 248; railway construction out of,  
 criticized, 101, 111-114, 134,  
 144-146, 174, 281, 612-613; should  
 be spent on sanitary measures,  
 164-170; on education 612-613;  
 utilisation for reduction of debt,  
 deprecated, 212, 245, 253; two-thirds  
 should be placed at disposal of Pro-  
 vinces, for nation-building activities,  
 254-259; utilisation of, for relief of  
 agricultural indebtedness, urged, 231

- Burdwan, Maharaja of : 176, 218, 339  
 Burke, Edmund : 123, 428  
 Burma, finances of, compared with, Bombay, 235-238; annexation of, dictated by vested British interests, 459; Indian National Congress always against policy, 639  
 Burma Petroleum Company : 195  
 Butler, Sir Harcourt : 212, 256*n*, 335  
 Buxton, Sir Thomas : 351
- Caine, William Sproston : 405*n*, 521  
 Caird, Sir James : views on Indian agriculture, cited, 13, 567  
 Calcutta, farewell to, 264-265  
 Campbell, Sir James Macnabb : evidence before Indian Hemp Drugs Commission, cited, 405, 407  
 Campbell-Bannerman, Sir Henry : views on Anglo-Japanese Alliance, 99-100  
 Canning, Viscount : 18, 153, 447  
 Cantonments, house accommodation for officers in, special legislation for, resented, 268-270  
 Cape Colony, plight of Indians in, 290-293  
 Carlyle R. W. : 162  
 Cattle : perishing in large numbers, a sign of poverty, 13, 397-398  
 Central Provinces, Chief Commissioner's Famine Report for 1899-1900, quoted, 448-449  
 Ceylon, compulsory education in, 323; Commission on Elementary Education, 323; salaries of foreigners fixed in rupees, 605  
 Chamber of Commerce, Bombay : 7; against high salaries paid to Englishmen in India, 491-492, 603-605, 606, 670  
 Chamber of Commerce, Calcutta : 670  
 Chancellor of Exchequer, Great Britain : views on expenditure on military reorganization, cited, 73  
 'Charges', apportionment of, between England and India, 506-509, 637-643; (1) India Office Charges, 506, 637; (2) Army Charges, 506-507, 638; (3) Ordinary Debt, 507-509, 639; Home Charges, 2, 3, 62  
 Charles : 405  
 Chesney, General : 468; views on Indian taxation, 6; on provincial contracts, 554; on Indian army, 583-584; 'Indian Polity', by, quoted, 583-584, 591  
 Chhatre S. A. : 418*n*.  
 China, savings effected due to troops sent to, 3, 64; troops sent to, without inconvenience to India 34, 307  
 Chitnavis, Sir G. M. : 127, 190  
 Chitral expedition : 566; Mehta's protest against, cited, 522  
 Chunilal : 430  
 Citizen Soldiership, *see under* Army in India  
 City of Delhi loan : 243  
 Civil expenditure, increase in, 188-191  
 Civil Service, Indianisation of, urged on economic and political grounds, 46-49, 122-123, 308, 488; monopolisation by Europeans illustrated by figures, 46-48, 487-490, 504-505, 597-602, 635-637; Govt. resolution of 1904 criticized, 82-85; tables, 86-89; official conservatism, 122-123; cost of maintenance of 'irreducible minimum of Europeans' should be borne by England, 509, 643; *see also* Employment of Indians  
 Clark : 324, 326, 326*n*, 327*n*, 344, 359, 362, 366; on nature of Lord Inchcape's Mission, 348*n*; speech by, on prohibition of indentured labour, criticized, 365-368  
 Coinage statistics : 127-128  
 Colvin, Sir Auckland : 3, 19, 56, 462, 482, 534, 580, 613, 667  
 Coombs, Commander : evidence given before Sanderson Committee, cited, 354-356, 365, 367  
 Co-operative Credit Societies, bill for constitution and control of, supported, 271-275  
 Cooper's Hill College : 458, 489, 511, 599, 601  
 Cornwallis, Lord : 17, 421  
 Cotton goods : excise duty, *see* Excise duty on cotton goods  
 Cotton goods : import duties, *see* Import duties on cotton goods



- Cotton industry, depression in, 7, 31, 328; difficulties of, due to Govt.'s apathetic policy, 160-162
- Courtney, Leonard Henry : 515, 522, 526, 527, 531, 532, 543, 544, 562, 563
- Cradlock, Sir Reginald Henry : 374n.
- Cranborne, Lord, *see* Salisbury, Lord
- Cranbrook, Lord : 616; on Famine Insurance Fund, 617, 619, 621, 648-654
- Crewe, Marquess of : 344
- Crimean War : 209
- Criminal Investigation Department : 26C-262
- Croft, Sir Alfred Woodley : 607, 609
- Cromer, Lord, *see* Baring, Major Evelyn
- Cropped area : in Br. India, table, 24; areas under superior crops, table, 25
- Cross, Lord : 309; views on salt duty, cited, 8
- Cunningham, Henry Stewart : 457, 468, 511, 556
- Currency policy : criticized, 10, 143-144; cause of successive surpluses, 52
- Curzon, Lord : 1, 28, 50, 51, 66, 114, 115, 129, 173, 268, 271, 301, 312, 313, 316, 329, 332, 341, 441; change for the better in Govt., 16-17; exceptionally strenuous administration, 65; views on role of British Indian army, cited and criticized, 73-75; views on employment of Indians in public service, criticized, 81-82; views on Indians in Cadet Corps, mentioned, 97; views on indentured labour system cited, 357; views on per capita income, 377
- Customs dept., personnel in, 86; reduction in expenditure of, recommended, 228-229; *see also* Imperial Customs Service
- Customs revenue : compared with other countries, 241
- Dadabhai Naoroji : 377, 506, 515, 523, 563, 569, 586, 590, 591, 616, 637, 639, 642
- Dadabhoj, Sir Maneckji : 175, 176, 259, 324, 329, 333, 339, 340, 342; changed views on Irrigation, 259; resolution recommending abolition of excise cotton duties, supported, 328-333; resolution recommending raising of taxable minimum of income, opposed, 339-342
- Dalhousie, Lord : 566, 587
- Dane, Sir Richard : 228
- David, Sir Sassoon : 159-160, 161
- Dawkins, Clinton : 124, 125
- Debt, *see* Public Debt
- Deccan Agriculturists' Relief Act, 1879 : 353, 432; — Commission, 1891 : 424, 438, 446, 450, 451
- Deccan Riots Commission, 416, 424, 450, 451
- Deccan Sabha : 422, 456, 510, 513
- Decentralisation : on district level, urged, 499, 627; — Commission, 1907 : 150, 151, 240, 254, 261, 262, 369, 370, 372, 373, 374
- Delhi, *see* New Delhi; *see also* City of Delhi loan
- Deportees, release of, urged, 147
- Desai, (A. B.) : 427
- Desai, (A. G.) : 432n.
- Disraeli : 465, 544
- District Advisory Councils : 369
- District Municipal Bill : 442
- Dodgson : 405
- Dongola expedition : 537
- Dufferin and Ava, Marquis of : 172, 306, 462, 488, 534, 550, 551, 619, 621, 646, 647; 'Dufferin Inquiry' of 1887-88 : 14, 188, 303-304, 305, 316, 457, 468, 496, 511, 556, 598-599, 624, 643; decision of Govt. of, regarding formation of reserves, 35, 484; views on separation of judicial and executive functions, 77; policy of reduction of Govt. expenditure on education, 41, 493, 607, 608, 643-645
- Dutt, Aswini Kumar : 147
- East India Company : advantages of periodical parliamentary inquiry of, 305, 460, 519, 535-536; financial administration more economical under rule of, 518, 519,

- 667-668; military expenditure under administration of, 667; J. S. Mill's memo on rule of, 669-670
- East Indian Railway Company, compulsory education enforced by, 322-323
- Eastern Bengal and Assam, grant for sanitation to, 215
- Ebden: 405
- Education, special grant for, appropriated, 6, 213; enhanced expenditure on, urged, 18, 40-42, 43, 136-137, 311; Govt. of India resolution of 1888, 41, 493, 607, 608, 643-645; of 1904, 68; should be made an Imperial Charge, 41; expenditure on, in foreign countries, tables, 42-43, 130; surpluses should be utilised for, 44, 209-210, 256-257, 612-613; free and compulsory provision of, for child labour, urged, 320-327; meagreness of Govt. expenditure on, 493, 606-608; working of and expenditure on educational dept. of Bombay, 501-502, 632-633; Education Commission, 1882, 41, 652; *see also* Technical education; University education; Primary education
- Efficiency, fetish of, disparaged, 33, 181, 188, 301
- Elgin, Lord: petition incident, 646-647
- Elles, Sir Edmund: statement on military expenditure, referred to, 63-64, 73, 93; on general military policy, 75, 97
- Elliott, Sir Charles Alfred: 188*n.*, 457, 468, 469, 510, 556, 557, 563
- Ellis, Barrow Herbert: 500, 629
- Elphinstone, Mountstuart: 416
- Emigration to Colonies, *see* Sanderson, Lord: Committee on Indian Emigration
- Employment of Indians in higher offices; in Civil Service, 46-49, 82-89, 122-123; in Railway Service, 183; 232-234; in Salt dept., 227-228; in Mint dept., 220-221; in Survey of India, 226; in Geological dept., 226; in Customs dept., 229; in Postal dept., 230; in Telegraphs dept., 230-231; in Services generally, 487-489, effects of Mutiny on, 472; in Police dept., 629-632, 671; rejoinder to Jacob's evidence, 665-667, 671; *see also* Civil Service
- Englishman*, article in, cited, 74
- Exchange compensation allowance, nature and effects of, 490-492, 602-606
- Excise duty on cotton goods, abolition of, urged, 7, 30-31, 55-56; levied as concession to Manchester businessmen, 31; disastrous moral effect on Indians, 32; incidence on consumers, 55; resolution for abolition of, supported, 328-333; considered from two points of view, 329-331; to be limited to higher counts, 333
- Executive and judicial functions, separation, *see* judicial and executive functions
- Expenditure, *see* Public expenditure
- Factory Commission, (1) 1890: recommendations of, 321, 322; (2) 1908: 320*n.*, 321
- Famine: fall in number of receivers of state relief no indication of greater resisting power of people, 125-126; plea for enquiry into famine conditions, 125; famine relief administration, discussed, 389-399; relief measures in Bombay and C. P. compared, 390-394; frequency of, in Deccan, 397; loss of cattle in Deccan, 397-398; people suffering at first touch of, a sign of poverty, 587; abolition of famine cesses, appreciated, 67
- Famine Code, changes in, suggested, 91-92; rigid enforcement of, deplored, 389
- Famine Commission, *see* Indian Famine Commission
- Famine expenditure, relief to Provinces for, 116
- Famine Insurance Fund (Grant), 3, 67, 169, 171-173, 213, 221-224, 300, 495-496, 537, 615-623, 648-651
- Famine report of Central Provinces, 1899-1900: 448-449

- Famine Union, London: demand of enquiry into famine conditions in India, 125
- Fancourt, Colonel St. J. M.: 72
- Fawcett, Prof. Henry: views on salt duty, cited, 9, 67; 544, 642
- Fawcett Committee on financial administration of India, 1871: 518, 536, 578, 609, 610, 611
- Fergusson College: 456
- Finance Committee, 1886, *see* Indian Finance Commission, 1886
- Finance Minister, powers of, 462, 534
- Finances of India, appointment of a Royal Commission to inquire into, urged, 265-267; four 'periods', 298-304; public inquiries held periodically, advantageous to India, 305, 318; *see also* Public expenditure
- Financial Statement, definition of, 202, 252-253
- Fitzpatrick, George: evidence before Sanderson Committee, cited, 363-364
- Foreign trade: statistics, 26-27, 61-63
- Forest dept.: personnel in, 87,—  
Bombay: lowering of high fees levied on graziers, urged, 452; disforestation of certain areas, suggested, 452; expenditure on and working of, 499-500, 504, 627-629; increase in forest revenue, deprecated, 670
- Fowler, Sir Henry: 537, 538, 621
- Fowler Committee, 1898: recommendations, 114, 143-144
- Fraser, Sir Andrew: 124, 449
- Free trade, hollowness of justification of excise duties on Indian cotton goods by, 31, 329-330; if reasonably applied, safest policy for India, 331-332, 335; dogmatism of principle of, deprecated, 331-332, 567; has marred India's orderly progress, 567-568; *see also* Protection
- Fremantle, S. H.: Report to U. P. Govt. on shortage of labour, 1906, quoted, 322, 323; speech on prohibition of indentured labour, criticized, 362-365
- French Settlements in India, representation given to, in French Parliament, 542, 543
- Frere, Sir Bartle: 400, 448
- Frere-Smith, Sir Hamilton: 345
- Gaikwad, Maharaja Sayaji Rao: work 'in free and compulsory primary education, 121, 136, 322
- Gates: 195, 235, 236, 316, 317, 371
- Gathorne-Hardy, Gathorne, *see* Cranbrook, Lord
- General administration, working of, in Bombay Presidency, 496-497, 625
- Geological dept.: personnel in, 87, rising expenditure on, criticized, 225-227
- Germany, emulation of example of, with regard to provincial finances, urged, 240, 558, 559, 560; experience of, regarding co-operative credit societies, 273-274
- Gladstone: 19, 306, 465, 506, 544, 545, 638, 642; and Gokhale compared, 311*n.*; views on free trade principle as applied to India, 329
- Gokhale, Gopal Krishna: as President of Poona Municipality, 79, 168; views of, quoted by others, 110, 121, 135; views of, on surpluses quoted by himself, 302-303; compliments by Meston, 311*n.*; by Wilson, 317*n.*, 384*n.*; calls himself Ranade's disciple, 432; as administrator of a minor's estate, 436; withdraws from Council Hall as protest against Bombay Land Revenue Code Amendment Bill, 444; sketch of career of, 456, 510
- Gold currency: 385-387
- Gold Standard Reserve (Gold Reserve Fund) 69, 76, 93, 114-116, 139, 143, 387
- Goodridge: 593
- Gorst, Sir John: views on salt duty cited, 8, 9
- Goschen, George Joachim: 375*n.*, 465
- Griffin, Sir Lepel: 291
- Gujarat, land revenue assessment too high in, 16; reductions of assessment in, appreciated, 59
- Haldane: 119
- Halifax, Viscount: 18
- Hamilton, Lord George: 291; views on surpluses, 6; on salt duty, 8; on India's poverty, 11; on exchange

- value of rupee, 54; on bravery of Indians, 99; as president of parliamentary committees, 172, 173, 263, 495, 614*n.*, 617; on Famine Insurance Fund, 495-496, 537, 615, 616, 617, 618, 621
- Hanna, H. B.: 521
- Haque, Mazhar-ul, *see* Mazhar-ul-Haque
- Hardinge, Lord: 235, 243, 263, 296, 369*n.*, 385*n.*, 387*n.*
- Hardy: 269
- Harrison: 116, 128
- Hemp cultivation, control of, opposed, 406-408, 411
- Hemp Drugs Commission, *see* Indian Hemp Drugs Commission
- Hewett, Sir John: 124, 261*n.*
- Hill: evidence given before Sanderson Committee, cited, 354-356
- Hindu Sabha, instances given by, of 'Managers' excesses' in Sind, 277, 279
- Hobhouse, C. E. H.: 150*n.*
- Holderness, Sir Thomas: views on nature of double-cropping cited, 24-25; circular issued in respect of famine relief, mentioned, 390
- Home Charges, saving of, 2, 3; argument that they represent excess of country's exports over imports, a fallacious one, 62
- Hope, Sir Theodore Craicott: 600
- Huda, Syed Shamsul: 215
- Hulett, Sir Leige: views on great part played by Indians in building up Natal, cited, 287
- Hunter, William Wilson: 458, 468, 511, 556; as Chairman of Education Commission, 1882, 662*n.*
- Hussain, Mir Muhammad: 321*n.*
- Ibbetson, Sir Denzil: 271, 275, 278, 282
- Ichalkaranji, Chief of: 415
- Ilbert, Sir Courtenay Peregrine: 482, 580
- Imperial Customs Service: 229
- Imperial League: 218
- Imperialism, nobler spirit of, urged, 20; aggressive policy of, should not be at the cost of poor Indians, 75; *see also* British Empire
- Import duties: on cotton goods, reduced due to clamour of Manchester businessmen, 4; raising of, suggested, 333; on sugar, holding of enquiry suggested, 334-338
- Inchcape, Lord, inquiry made by, into Indian railway administration, authoritative information sought, 343-348 and entire procedure criticized as irregular, 345-348
- Income, per head, *see* per capita income
- Income-tax: raising of taxable minimum urged, 7; similar demands made by Indian National Congress, 29; Sir Maneckji Dadabhoi's resolution to raise taxable minimum not appreciated, 339-342; assessment arbitrary and 'monstrous', 453-454
- Indapur taluka, enhanced assessment in, criticized, 399-401
- Indentured labour, prohibition of, for Natal, 284-294, 295; plight of, in South Africa, 284-294; resolution on prohibiting recruitment of, 349-368; origin and history, 349-352; objections to, 352-358; extent of evil of, 358-360 and Govt.'s responsibility, 360-361; burden of £3 tax on ex-indentured labourers, 360
- India Office: against the formation of territorial reserves, 35; charges on, should be shared by England, 506
- Indian Daily News: criticism on Lord Inchcape's Enquiry, 344
- Indian Factory Commission, 1890, *see* Factory Commission, 1890
- Indian Factory Labour Commission; 1908, *see* Factory Commission, 1908
- Indian Famine Commission, (1) 1878: 393, 398, 589, 591, 592, 624, 635; (2) 1898: 14-15, 25, 125-126, 391; (3) 1901: 14, 15, 59, 78, 415
- Indian Finance Commission, 1886, recommendation of, 457, 489, 490, 502, 511, 600-601, 633-634
- Indian Hemp Drugs Commission, 1893: 405, 407, 409, 410, 412
- Indian Mirror: 216*n.*
- Indian National Congress: 456, 510; demands of, to raise lower limit of taxable income, 29; and reduce salt duty, 29; to assist local self-govt., 68; never pressed for extension of

- railways, 614-615; against annexing Burma to India, 639
- 'Indian Polity' by General Chesney, quoted, 583-584, 591
- Indian Tariff Amendment Bill, 1910: 157-161; — 1911: 192-195
- Indianisation of Civil Service, *see* Civil Service; *see also* Employment of Indians
- Industrial progress, surpluses should be utilised for, 44
- Irish Land Purchase Act, example of, commended, 79
- Irrigation, contract agency for, 104, 175-6; plea for additional expenditure on, 175-177; expenditure on protective irrigation recommended, 224-225; reduction in rates, urged, 451-452; Dadabhoys' changed views on, 259
- Irrigation Commission, 1901: 65, 176, 225
- Italy, experience of, regarding co-operative credit societies, cited, 273-274
- Jacob, Stephen: 175, 489, 595, 619; rejoinder to evidence of, 655-671
- Japan, industrial development in, 20, military expenditure in, 35, 99; as new factor in international politics, 72, 99; example of, as cited by Sir Elles, questioned, 73-74; triumph of, in war with Russia, 119; *see also* Anglo-Japanese Alliance
- Jenkins: views on female indentured labour, cited, 357
- Jenkins, J. L.: 192, 196, 201, 320, 328, 334, 373
- Joshi, Ganesh Vyankatesh: 447*n*.
- Judicial and executive functions, separation of, demanded, 77, 502-503, 634
- Judicial dept.: personnel in, 87; working of and expenditure on, in Bombay, 502-503, 633-634
- Jute, duties on, suggested, 161
- Kellner, Sir George: 480, 577, 578, 645, 646
- Khare: 444*n*.
- Khiva, effects on Indian fiscal policy by conquest of, by Russia, 573, 574
- Khoti Bill, 1898: 432
- Kimberley, Earl of: 309*n*., 405*n*.
- King, Sir Henry Seymour: 605
- Kitchener, Lord: 72*n*., 98, 168, 520*n*., 537*n*.
- Labour: conditions in Indian factories, 320-327; primary education to child labour, 320-327; *see also* Factory Commission
- Lamb: 405
- Lancashire businessmen, influence of, in House of Commons, and with Secretary of State for India, 29; pressure brought by, for imposing excise cotton duties in India, 328, 329
- Land, nationalization of, as a result of passing of Bombay Land Revenue Bill, 437-438; causes of increase in price of, 446
- Land Revenue, remission of arrears of, commended, 6; adoption of policy of permanent settlement, urged, 17-18, 79; assessment too high—in Bombay Province, generally, 445-447;—in Ahmednagar district, 446-447;—in Gujarat, 16;—in Indapur taluka, 399-401;—as compared to other countries (table and figures), 77-79; lowering of, urged, 57-59, 102-103; its nature,—partly rent and partly tax, 341, 379, 381, 402; Meston on nature of, 372*n*.; progressive policy for revision of settlements urged, 401, 447-448; peasant in India more heavily burdened than others, 401-402; Bombay Land Revenue Bill, 1901, opposed, 414-444; appointment of a Commission to examine land revenue problem, suggested, 414; provisions made in Punjab Act referred to, 417; dissenting minute to report of Select Committee on Bombay Land Revenue Bill, 418-425; suspensions should be based on general conditions, not individual inquiries, 448-450; assessment should vary with outturn of crop, 450; suitable dates for collection of State demand necessary, 450-451; criterion of success of land revenue administration, 451; admini-

- stration in Bombay Presidency, 497-499, 625-627  
 Lansdowne, Lord : 310, 462, 534, 550, 551 ; views on agricultural indebtedness, 104  
 Law, Sir Edward : 1, 6, 28, 36, 51, 66, 109, 114, 115, 185, 253, 332  
 Lawrence, Lord : 18, 297, 447  
 Lee-Warner, Sir William : 637  
 Legislative Council ( Supreme ) : rules for moving resolutions, interpretation of, 196-200  
 Legislative Councils ( Provincial ) : suggestions that each should return one member to Imperial Parliament, 465  
 Lely, Sir Frederic : 414, 425, 426, 439, 441 ; work in famine relief appreciated, 389 ; evidence before Indian Hemp Drugs Commission, cited, 405, 409-410  
 Lethbridge, A. S. : 321*n*.  
 Liberal Party of England : committed to free trade policy, 332  
 Liquor, increasing consumption of, 60 ; minimum guarantee system, 61 ; quantitative duty conducive to increased consumption 403 ; should be made scarcer, not dearer, 408 ; *see also* Local Option, Abkari  
 List, on duty of Govt. in a backward economy, 335  
 Local Bodies, grants to, 68, 79-81 ; 106 ; relief from responsibility for famine relief, urged, 91 ; poverty of, 113 ; grant to Municipalities for sanitation, welcomed, (131-133), 213 ; resolution moved to inquire into resources of, 369-384 ; statistics relating to, 371 ; functions of, 372-376 ; compared with those in Europe, 375-378 ; *see also* Local Self-Government  
 Local Option, urged, 60-61, 410-411, 412-413  
 Local Self-Government : and Decentralization Commission, 370 ; *see also* Local Bodies  
 Logan : 279  
 Lords Commissioners of the Treasury : views on currency policy of Indian Govt., cited, 55  
 Luzzatti-Wollemberg Societies : 274  
 Lyall Commission, 1898, *see* Indian Famine Commission, 1898  
 Lytton, Lord : 171, 222, 223, 224, 299, 458, 516, 615, 620, 642  
 MacDonnell, Sir Antony : 124, 151  
 McDonnell Commission, *see* Indian Famine Commission, 1901  
 Mackay, Sir James, *see* Inchcape, Lord  
 Mackenzie, Thomas Duncan : evidence before Indian Hemp Drugs Commission, cited, 410  
 Maconochie, Evan : 415  
 Madge : 167, 213, 226, 315, 325  
 Madras, lowering of land revenue demand in, urged, 57-58  
 Madras Irrigation Company, unreasonable help given to, 458, 512  
 Madras Mahajan Sabha : 647  
 Madras Mail : article, cited, 72  
 Maharaja of Burdwan, *see* Burdwan, Maharaja of  
 Malaviya, Madan Mohan : 250, 256, 336, 338 ; resolution by, on import duty on sugar, 334-338  
 Manchester businessmen, pressure exerted by, for reduction of import duties on cotton goods, 4, and levy of excise duties, 31  
 Material and Moral Progress of India : Report, 60  
 Maung Bah Too : 236  
 Maxwell : 286  
 Mayo, Lord : 98, 297 ; views on military expenditure, cited, 33-34, 74, 310, 314-315  
 Mazhar-ul-Haqq : 192, 193, 194, 214, 314  
 Mehta, Sir Pherozeshah : 414, 425, 431, 432, 437, 441, 444*n*, 522  
 Merriman : 292  
 Meston, Sir James : 162, 168, 185, 186, 194, 204, 210, 223, 248, 249, 251, 254, 257, 313, 344, 372*n*, 373 ; tribute to, 263 ; compliments to Gokhale by, 311*n*.  
 Military expenditure, 478-487, 575-581 ; portion should be borne by England, 19, 97, 506-507 ; alarming increase in, at cost of nation-building activities, 32-34, 63-64, 96, 189-191 ; people having no voice in shaping policy

- on, 64, 73; substantial reduction in, urged, 94-97, 135-136, 306-308, 314-315; Committee on Indian Army Expenditure, 1912, 265; compared with other countries, 581; tables, 479-480, 576-577; rejoinder to Jacob's evidence on, 667-669; *see also* Army in India; Military reorganisation
- Military reorganisation, financing of, from ordinary taxation, criticized, 5, 72-73; suspension of scheme of, urged, 94-95; reduction in special grant for, appreciated, 117, 144
- Mill, John Stuart : 31; memo on E. I. Company's rule, 669-670
- Miller, Sir John : 127, 259
- Mint dept. : 219-221
- Minto, Lord : 90, 108, 124, 138, 157, 185, 276, 284
- Miras, *see under* Tenure
- Mitter, Krishna Kumar : 147
- Money, quantitative theory of, more applicable in case of backward countries, 143, 385; *see also* Gold Currency
- Monteath : 403*n.*, 411*n.*, 413*n.*, 414., 425, 426, 428, 437, 438, 439, 442, 445*n.*, 448
- Morgan-Browne : 478, 575, 655
- Morison, W. T. : 321*n.*
- Morley, John : statement on military reorganization scheme, cited, 95, 118; on salt tax 109; disappointing language and action of, 137-138; his Liberalism vindicated, 153-154
- Morley-Minto Reforms, *see* Reform Scheme, 1908
- Morning Post, articles in, cited, 332
- Moses : views on devastating effect of currency legislation on cotton industry, cited, 7
- Mowbray : 525, 533, 543, 666
- Mudholkar, Ranganath Narasinha : 259, 336; amendment moved by, to bill on labour in factories, supported, 325-326
- Muir-Mackenzie, Sir John : 401
- Mukharji, Raja Piyare Mohan : 321*n.*
- Mutball's Dictionary of Statistics : cited, 77, 129
- Municipalities, financial assistance to, urged, 79
- Mutiny of 1857, effects of, on Indian finance, 472, 571; on employment of Indians in higher offices, 472, 571; cost of suppression of, paid entirely by India, 642; proclamation of 1858, 49
- Naoroji, Dadabhai, *see* Dadabhai Naoroji
- Natal, indentured emigration to, 284-295
- Natal Commission on Indian Immigration : 287, 292
- Nathan, Robert : Report on education, 105
- Neame : views on great part played by Indian labour in Natal, 288
- New Delhi, cost of building city of, out of loan funds, (and not out of surpluses), recommended, 243-251
- Newlands : 345
- Nicholson, Sir William : committee to inquire into Indian Army Expenditure, 1912, 265, 346
- Nihal Chand, Lala : 405*n.*
- Nineteenth Century and After : article in, cited, 6
- Noel-Paton : pamphlet on Indian sugar industry, quoted, 336
- Non-Indian interests, precedence given to, in India, 15, 31, 32, 335, 337-338, 471, 493-495, 519, 613-614
- North-Western Provinces and Oudh, poverty of peasantry in, 13; lowering of land revenue demand in, urged, 57-58
- Northbrook, Lord : 134, 297, 462, 513, 534, 617, 642, 649, 650
- Northcote, Lord : 388, 403, 414, 425, 445
- Northcote, Sir Stafford Henry : 17, 18, 447; Despatch of 1867, 471, 570
- Nugent : death mourned, 388
- O'Connor : 79, 102, 109
- O'Grady : 111
- Ollivant, Sir Charles : 442
- Opium Fund, constitution of, 201-213
- Opium revenue : 190-191, 204, 219; based on moral ruin of China—a stain on Indian finance, 116-117;

- decline in, 157-159, 205; opium surpluses, 204-213, 246, 248; uncertainty of, 266
- Orangia, plight of Indians in, 290
- Orissa Company, unreasonable help given to, 458, 512
- Ornaments: trinkets— a necessity with Indian women, not an economic resource, 594, 623-624
- Padshah, B. J. : book on 'Indian Cotton Industry', 31
- Parekh: 444n.
- Parliamentary Committee on Railways, 1884: views on Famine Insurance Fund, 618
- Peel, Major-General Jonathan: Army Commission, 1859, 98
- Peel, Sir Robert: 465, 544, 545
- Pelle, James Braithwaite: 501, 515, 520, 525, 541, 562, 563, 580, 586, 587, 588, 589, 590, 593, 594, 595, 596, 599, 607, 608, 614, 615, 618, 619, 622, 623, 624, 629, 630, 631, 633, 643
- Per capita income: reveals poverty of Indians, 12; estimates made by different authorities, 377
- Permanent Settlement, adoption of policy of, urged, 17-18, 79
- Petroleum, enhanced duties on, criticized, 160-161, 162-163, 195
- Pitt: 465, 544
- Police dept.: personnel in, 88; reduction in expenditure recommended, 260-262; working of, in Bombay Presidency, 500-501, 629-632; reform scheme, 65, 67; employment of Indians in, 629, 632, 671
- Political reforms, plea for, 137-138; appreciated, 146; *see also* Reform Scheme, 1903
- Poona Municipality, financial worries of, due to anti-plague measures, 79-80, 163; drainage problem of, 167
- Poona Sarvajani Sabha: 456, 496, 510, 624, 646, 647
- Poor in India: contribute, relatively, more to revenue, 30, 109, 341-342, 401-402; *see also* Poverty
- Population of India: declining, 13; table, 22; underfed, 38
- Portuguese Settlements in India, representation given to, 542, 543
- Postal dept.: personnel, 88; concessions given in 1905 appreciated, 67; reduction in expenditure of, recommended, 229-230
- Poverty in India: as caused by British rule, 11-12; *see also* Agricultural indebtedness; Poor in India
- Poverty of peasants: in N.-W. Provinces and Oudh, 13; in Bombay, 14; needs comprehensive scheme of ameliorative action, 79; evidenced at first touch of famine, 587
- Press Committees: their function, 428-429
- Press in India: 20; vernacular press, 215-219; Anglo-Indian press, 218; reasons for supporting Press Act of 1910, 293
- Prices: rise in, 126-129; plea for enquiry committee, 127, 143; a function of three variables, 385-386; rise in prices of agricultural produce after 1860, 587-588
- Primary education, additional expenditure on, appreciated, 68; plea to make it free throughout country, 105 and compulsory in leading towns, 105, 106, 120-121, 136; remission of fees in primary schools, 214-215; Elementary Education Bill, 1911, 324-325; inelastic provision for, in Bombay Presidency, criticized, 454-455
- Pringle, R. K. : 416
- Prohibition of liquor, *see* Liquors; *see also* Abkari
- Protection, right kind and wrong kind of, 331; protection to sugar will benefit English manufacturers at cost of Indians, 337-338; right kind of, helpful to India, 568; *see also* Free Trade
- Protectors of Immigrants in Colonies: work done by, assessed, 354-355
- Provincial contracts, drastic revision of, and Imperial Govt.'s gain thereby, 3; so-called permanency of, questioned, 238-240; nature of, criticized, 466-470, 545-564



- Provincial finance: 238-242, 545-563, 655-664
- Prussia, emulation of example of, urged, 17
- Public debt: 173-174; definition and statistics of unproductive debt. 207-209; part of it unjustly imposed on India, 507-509
- Public expenditure: resolution for enquiry into causes of increase in, 296-319; four remedies to halt growth in, suggested, 306-310; not controlled by Indian taxpayers in any sense, 456-459, 471, 510-512, 539; defects in existing arrangement stated, 460-461, 523; remedies suggested, 463-465, 539-544; increase in, due to nation-building activities, is welcome, 471; but in India's case it is not so, 471, 520-521, 570; defects due to alien domination of country, 471, 519, 564; short history of, 472 with tables, 473-480; charges under Army, 478-487; Services, 487-490; Exchange Compensation Allowance, 490-492; Education, 493; Railways, 493-495; Famine Insurance Fund, 495-496; Civil dept. of Bombay Presidency, 496-503; political expenditure beyond the frontier should be borne by England, 509, 542, 643; see also Finances of India; Military expenditure
- 'Public Finance' by C. F. Bastable: cited, 379, 382
- Public Health: Government assistance to local bodies, urged, 81
- Public Service, see Civil Service
- Public Service Commission, 1886-87, recommendations of, 488, 598-599, 666
- Public Works, Parliamentary Committee on, 172; working of and expenditure on P. W. dept. of Bombay, 503, 634-635
- Pugh: 268
- Punjab Land Alienation Bill: 15
- Pusa Agricultural College, see Agricultural College, Pusa
- Quin, H. O.: 242, 325
- Railfeisen Societies: 273, 274
- Railway administration: direct state-management suggested, 182-183, 495; Lord Inchcape's Inquiry, 343 348
- Railway Board: 158, 159, 160, 180-184, 232, 346
- Railway construction: 101, 111-114, 134, 144-146, 165, 166, 168, 174, 609-614; undertaken in interests of English commercial classes, 493-495, 613-614; only main trunk lines are sufficient, 610-613; extravagant costs incurred, 610-611
- Railway finance: 76-77, 142, 159, 160, 170, 179-184; reduction in working expenses recommended, 231-234, 609-610; earlier railway construction at extravagant costs, 610-611
- Ranade, Mahadeo Govind: 188*n*., 432, 441, 442, 453, 468, 511, 556
- Reform Scheme, 1908: 146-154; provision for Indian member in Executive Council appreciated, 146-147; special provision for Mahomedan representation upheld, 148-150; personal explanation regarding 'intrigue' against Mahomedans, 150-152; part played by Morley and Minto, appreciated, 152-154
- Reid: 405
- Relief Act Commission, 1891, see Deccan Agriculturists' Relief Act Commission, 1891
- Resolutions, rules for moving, in Legislative Councils, interpretation of, 196-200
- Revenue, increase in, not a sign of advancing prosperity, 12, 36-39; underestimating of, 52, 76; normal growth of, 249; contributed more by poor, relatively, 30, 109, 341-342, 401-402; see also Land Revenue
- Revenue—National: in excess of requirements of Govt., 3; unequal distribution between central Govt. and local bodies, 378-379
- Richards, Sir Erle: 148
- Ripon, Lord: 15, 20, 32, 41, 172, 299, 309, 370, 448, 458, 462, 465, 478, 493, 534, 545, 547, 550, 559, 580, 607, 608, 645, 646, 647, 662

- Risley, Sir Herbert : 151, 166, 373  
 Roberts, Lord : 34, 307, 462, 534, 602  
 Robertson, B. : 178, 179, 227, 228, 229, 231, 295, 313, 327, 345, 352  
 Rosebery, Lord : 18  
 Roy, Raja Soshi Sikhareswar : 405n.  
 Royal Commission on Indian Expenditure, 1895, *see* Welby Commission, 1895  
 Royal Commission on Local Taxation (in England), 1896 : 375  
 Royal Commission on Reorganisation of Indian Army, 1859, *see* Army Commission, 1859  
 Royal visit, cost of, 248  
 Russia, aggression on N.-W. Frontier by, 32, 307; military expenditure in, 33; no more fear of invasion by, 74, 258  
 Salisbury, Lord : views on military efficiency of Indians cited, 33, 181, 308, 642; on number of British officers in Native regiments, 93; Despatch of 1874, 618, 654; of 1876, 649; of 1896, 651  
 Salt, under-consumption of, 13; table, 23; medical opinion for necessary standard of consumption, 30  
 Salt dept. : personnel, 89; reduction in expenditure of, recommended, 227-228  
 Salt duty, reduction of, urged, 7-9, 56-57; similar demands made by Indian National Congress, 29; loss of revenue caused by reduction in duty would be compensated for by increased consumption of salt, 30, 67, 103; essentially a poor man's question, 56; India forced to import salt due to Govt.'s unsympathetic fiscal policy, (with table), 57; reduction in, appreciated, 66, 67, 90, 103; incidence of, compared with other countries, 129  
 Sanderson, Lord : Committee on Indian Emigration, report, 350, 353, 354, 357, 360, 362-363, 365, 367; terms of reference criticized, 362-363  
 Sanitation : aid to local bodies urged, 80-81, 106; grant for, appreciated, 131-132, 213; should be financed out of surpluses, 164-170, 209-210; grant to Eastern Bengal and Assam for, 215  
 Saunders, J. R. : views on great part played by Indian labour in Natal, cited, 287-288  
 Savings : effected due to troops sent to South Africa and China, 3, 64  
 Schulze Societies : 273, 274  
 Scientific depts. : 225-226  
 Scoble, Sir Andrew Richard : 513, 515, 516, 522, 525, 527, 528, 529, 530, 531  
 Scott-Moncrieff, Col. Sir Colin : 65n.  
 Secretary of State for India, optimism of, regarding finances of India, 1; influenced by Lancashire businessmen, 29; views of, on currency policy of Govt. of India, 54; Council of, 461, 519-520, 523-533; Secret Department, 514-515, 524  
 Sen, Rai Bahadur Narendra Nath : 216, 217, 218, 219  
 Shepherd, W. C. : 61n.  
 Short Service System, advantage of, goes to England, 35, 483; payment of bounties under, 96; application of, in case of Indian army, urged, 100, 482-484  
 Silver, enhanced duties on, criticized, 160-162  
 Simla Commission on Army in India, 1879, *see* Army Commission, 1879  
 Sinclair : 405  
 Sindh Incumbered Estates Act (1896) Amendment Bill (1906), 276-283  
 Sinha, Lord S. P. : 142, 154  
 Sinking Fund, India not in need of, 174; a reasonable amount of, may be necessary, 203-209, 253  
 Slacks : 167  
 Smith, W. H. : 618  
 South Africa, savings effected due to troops sent to, 3, 64, 141; troops sent to, without inconvenience to India, 34, 307; *see also* Indentured labour  
 South African war : 209  
 Sri Ram : 73  
 Stationery and Printing : 89, 178, 179  
 Stewart, Sir Donald Martin : 502, 516, 520, 524, 525, 527, 534, 535, 578, 580, 586, 639, 641

- Stewart-Wilson : 230, 234  
 Strachey, Richard : 393*n.*, 528, 529  
 Strachey, Sir John : 169, 224, 468, 615, 617, 619, 621, 623; on provincial contracts, 554; on Famine Insurance Fund, 620, 649, 650-651, 653  
 Suakin Charges : 520  
 Subba Rao : 339, 342  
 Sudharak : 456, 510  
 Sugar industry : enormous imports of Java sugar, 334-335; interest of cultivators of sugarcane to be guarded first, 336-337; holding of enquiry for tariff policy, suggested, 334-338  
 Surplus, *see* Budget Surplus  
 Survey Act, 1865 : 433-434  
 Survey of India : personnel, 89; rising expenditure on, criticized, 225-227  
 Tagore, Satyendranath : 502  
 Tariff protection, *see* Protection; *see also* Indian Tariff Amendment Bill  
 Tariff Reform controversy : in England, 330  
 Tariff Reform Party of England : not helpful to India in tariff matters, 332  
 Taxation, maintained at high level, 3; plea to keep it at lowest possible level, 10; reduction in, welcomed, 28-29; extra taxation in normal year, opposed, 186-191; incidence of, in normal circumstances, 330; *see also* under headings of different taxes  
 Technical education, deputations to foreign countries to study problem of, suggested, 45-46; establishment of a central technological institute, urged, 105, 137  
 Telegraph dept., reduction in expenditure of, recommended, 177-178, 230-231; complaints about, 178; reintroduction of four anna telegram, suggested, 178  
 Tenure : Miras, 423, 424; 'Upari' Tenants, 423, 434  
 Tews, Prof. : views on inter-relation between popular education and national economic development, 40  
 Thackersey, Sir Vithaldas : 213, 321*n.*, 367, 385, 387*n.*; resolutions by, on gold currency, and gold standard reserve, 385-387  
 Thornton, William Thomas : 509, 610, 611  
 Times of India, plight of agriculturists in Bombay Presidency discussed in, 17; views on excise duty on cotton-goods, cited, 31; criticism on Lord Inchcape's enquiry, 344; statement regarding collection of land revenue appearing in, cited, 398; 'creation of an additional licence meant an additional source of worry to the cultivator,' 407; newsletters about low productivity of land, appearing in, 447; figures of persons receiving famine relief, 591  
 Tobacco duties, reduction of, objected to, 192-194  
 Too, Maung Bah, *see* Maung Bah Too  
 Transvaal, plight of Indians in, 289-290  
 Trevelyan, Sir Charles Edward : 460, 468, 518, 519, 520, 667; on provincial contract, 554  
 Turner, Sir Charles : 530  
 Umar Hayat Khan, Sir : 184  
 United States Commissioner of Education : reports cited, 42  
 Universities Commission, 1902 : 44  
 University education : appointment of first-rate Englishmen in Government colleges, urged, 45  
 Vernacular Press, *see* Press in India  
 Viceroy of India, knowledge of finance necessary for, 465  
 Vidal : 405  
 Vital statistics : table, 22, 133  
 Voelcker, Dr. : views on Indian agriculture, cited, 13  
 Wace, H. : 323*n.*  
 Wacha, Dinsshaw Edulji : 456, 478, 493, 506, 510, 575, 586, 609, 615, 637  
 Walpole : 465, 544  
 War Office, increased payments to, regretted, 144  
 Waterfield, Sir H. : figures on public expenditure, quoted, 478, 547, 549, 550, 669  
 Watt, Sir George : views on cultivation of hemp in India, cited, 407-408

- Wedderburn, Sir William : 522, 529, 530, 536, 537, 538, 566, 593, 595, 596, 600, 605, 613, 614, 620, 622, 623, 624, 630, 631, 632, 633, 645
- Welby Commission, 1895 : 305, 316 ; evidence on strength of army in India, cited, 34 ; division of opinion on independent audit, 319 ; written evidence given before Commission, 456-509 ; oral evidence, 510-647 ; appendices, 648-671
- Westland, Sir James : 458, 466, 467, 511 ; speech on salt duty recalled, 8 ; as Finance Member, 56, 113, 173, 280, 281, 282, 494, 618, 622 ; on Provincial contracts, 545, 555, 556 ; against increased railway expenditure, 612
- Wheeler : 261
- Wilson, James : 572
- Wilson, Sir Guy Fleetwood : 139, 157, 174, 192, 195, 243, 259, 296*n.*, 318*n.*, 349*n.*, 382 ; tribute to, 263-264 ; compliments to Gokhale by, 317*n.*, 384*n.*
- Wolseley, Garnet Joseph : 483, 484, 581
- Wood, Sir Charles : 447 ; Despatch of 1862, 471, 570
- Woodroffe : 60
- Woodward : 405
- Wynne, Sir T. R. : 179, 182, 183, 233, 315
- Young : Settlement Officer of Indapur Taluka, criticized, 400
- Young W. Mackworth : 405*n.*
- Younghusband : 80
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